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The Brunner Investment Trust PLC

Annual Financial Report for the year ended 30 November 2011

Information *advantage*

The Brunner Investment Trust PLC

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 NOVEMBER 2011

The Brunner Investment Trust PLC aims to provide growth in capital value and dividends over the long term through investing in a portfolio of UK and international securities.

The benchmark is 50% FTSE All-Share and 50% FTSE World Index (ex UK £).

The illustration on the cover of this report features a fountain (Brunnen in German) and this choice of image is inspired by the Arms of the Brunner family, which derives from Switzerland. The great, great grandfather of William Worsley, a director of The Brunner Investment Trust, was born in Canton Zürich and migrated to Lancashire in 1832. His son, Sir John T. Brunner, Bart, was the co-founder of Brunner Mond & Co, the largest of the four companies which came together to form ICI in 1926. The family's interest in ICI was used in the following year to establish The Brunner Investment Trust PLC.

The Brunner Investment Trust PLC (the 'Company' or 'Trust') is a member of The Association of Investment Companies.

Category: Global Growth

Investment Policy

Our aim is to provide growth in capital value and dividends over the long term through investing in a portfolio of UK and international securities.

Financial Highlights

Net assets per ordinary share	Earnings per ordinary share	Dividend
468.6p	12.3p	12.8p
2010 476.0p	2010 10.3p	2010 12.2p
-1.6%	**+19.1%**	**+4.9%**

Asset Allocation

The majority of the Trust's investments are in equities.

Risk Diversification

The Trust aims to achieve a spread of investments, with no single investment representing more than 15% of the underlying assets at the time of acquisition. The Trust seeks to diversify its portfolio into at least five industrial sectors, with no one sector comprising more than 35% of the portfolio.

Gearing

The Trust seeks to enhance returns over the long term through gearing. The Board monitors the level of gearing and makes decisions on appropriate action based on the advice of the manager and the future prospects of the Trust's portfolio. Historically, gearing has been in the form of long term fixed rate debentures. Other than in exceptional market conditions, it is unlikely that, at the time of investment, gearing (calculated after deducting the value of holdings in government securities, held to offset some of the long term debentures issued) will exceed 20% of net assets. The Trust's authorised borrowing powers state that the Company's borrowings may not exceed its called up share capital and reserves.

Benchmark

The benchmark, since 25 March 2008, is a composite of 50% FTSE All-Share and 50% FTSE World Index (ex UK £). A statement explaining how the assets have been invested to spread risk in accordance with the investment policy is on page 26 under the headings "Investment Strategy" and "Market Volatility".

Overview

Financial Summary

Revenue for years ended 30 November	2011	2010	% change
Available for Ordinary Dividend	£5,495,519	£4,760,704	15.4
Earnings per Ordinary Share	12.28p	10.31p	19.1
Dividends per Ordinary Share	12.80p	12.20p	4.9
Retail Price Index	238.5	226.8	5.2
Assets as at 30 November	**2011**	**2010**	**% change**
Net Asset Value per Ordinary Share	468.6p	476.0p	-1.6
Share Price	380.5p	390.5p	-2.6
Total Net Assets	£204,580,326	£217,746,633	-6.0
Expenses Ratio †	0.6%	0.6%	n/a

† The expenses ratio is calculated by dividing total expenses by total assets less current liabilities. See explanation on page 24.

Explanation of the movement in Net Asset Value per Ordinary Share

The benchmark comprises 50% FTSE All-Share Index and 50% FTSE World Index (ex UK £). The benchmark fell by 2.0% during the year to 30 November 2011.

The fall in the benchmark is composed as follows:

FTSE All-Share Index	-0.9%
FTSE World Index (ex UK £)	-3.0%

Other factors accounting for the remainder of the difference between the opening and closing net asset value per share, including the proportions of management fee and finance costs charged to capital and the positive impact of repurchasing Ordinary Shares, are set out below.

Net Asset Value relative to benchmark

Change in Net Asset Value	-1.6%
Change in benchmark	-2.0%
Performance against benchmark	**+0.4%**

Portfolio relative to benchmark

Net portfolio return (excluding cash and gilts)	-1.2%
Change in benchmark	-2.0%
Performance against benchmark	**+0.8%**

Financial Summary

(continued)

Portfolio Performance

The factors explaining the elements of the equity portfolio performance, i.e., excluding cash and gilts, are set out below. Asset allocation and stock selection in the UK and overseas portfolios are each shown relative to their Index and the returns on the Company's equity portfolios are shown against the benchmark Indices' returns.

				Of which:	
	Portfolio Return %	Index* %	Relative Performance %	Asset Allocation %	Stock Selection %
UK	-1.9	-0.9	-1.0	1.8	-2.8
Overseas	-0.5	-3.0	2.5	0.5	2.0

* The benchmark returns may differ from an average of the two constituent indices due to roundings.

Reconciliation of benchmark performance to movement in NAV

Change in benchmark (Capital Return)		-2.0%
Relative performance		0.8%
Net portfolio return (excluding cash and gilts)		**-1.2%**
Other factors		
Management fee	-0.4%	
Finance costs	-1.5%	
Impact of repurchasing shares	0.6%	
Gain on gilt holdings	1.2%	
Other	-0.3%	
		-0.4%
Movement in NAV per share		**-1.6%**

Chairman's Statement

Dear Shareholder

Equity markets had a volatile year as they were buffeted by concerns about global growth prospects and the ongoing Euro crisis. Our net asset value fell by 1.6% over the course of the financial year compared with a fall in the benchmark of 2.0%. Our underlying equity portfolio outperformed by 0.8%.

Earnings

The Company's earnings have recovered this year, rising from 10.3p to 12.3p, an increase of over 19%. This reflects increasing dividend payments by a healthy global corporate sector and a partial restoration of BP's dividend.

Dividends

It is proposed that a final dividend of 8.0p per share will be paid on 23 March 2012 to shareholders on the Register of Members at close of business on 24 February 2012, bringing the total payment for 2011 to 12.8p, an increase of 4.9% on last year. This will cause a slight reduction in revenue reserves, but they remain very strong amounting to 22.9p per share after the payment of the final dividend.

Performance

Last year I commented on the directors' disappointment with the performance of the Company's portfolio and our hope of improvement in 2011. It is pleasing therefore to see that, against a highly volatile market background, our overseas portfolio has sufficiently outperformed its benchmark index to raise the year's performance to a level slightly ahead of the overall benchmark. The Board is looking for this improvement to continue in the current year.

Buy Back of Shares

Our buy back policy of repurchasing shares for cancellation was maintained and during the course of the year 2,090,218 shares were purchased for cancellation, and a further 63,669 shares have been repurchased since the year end. The rationale for continuing with this policy remains to reduce discount volatility and to generate modest enhancements to NAV per share.

The Retail Distribution Review

The Board is actively considering how the Company is positioned to take advantage of the opportunities for investment companies in the Retail Distribution Review ('RDR'). Historically, the payment of commissions to independent financial advisers has favoured open-ended funds. A key recommendation of the RDR is to abolish commissions on investment products.

In anticipation of these changes we have increased our marketing activities to generate interest in the Company before the shares become available through the investment platforms in 2013. The advantages we have over open-ended funds – not least our competitive expense ratio – should become clearer to the wider investment market.

The Board

We continue to conduct an annual appraisal of the Board and its effectiveness and this process is described on page 31. Our corporate governance report section on the Board is on pages 30 and 31. The governance of the Company is a matter of great importance to the Board and we review as wide a range of matters at each board meeting as we can to challenge the way we do things. Included in the agenda for our latest annual

The Company's earnings have recovered this year enabling a 4.9% increase in the dividend.

Chairman's Statement

(continued)

strategy day were discussions with our advisers considering our performance against our sector, peer group and benchmark; we also analysed our shareholder base and its requirements; we examined our balance sheet and structure and considered our marketing plans and positioning for RDR; finally, we spent time in private session identifying areas for improvement and further development and setting out how we will work together with our managers to implement changes.

Outlook

The overall levels of government spending and debt as well as confidence in the sovereign bond markets across Europe have remained a worry for markets during the course of 2011 and will continue to be so in 2012. Politicians will need to make difficult decisions on the future of the Euro and the US budget deficit if the volatility in asset prices is to abate. The evidence of 2011 is not encouraging in this regard.

Policy makers now have less scope to respond to economic weakness than in the aftermath of the global financial crisis two years ago as interest rates are already low and fiscal deficits are at, or even above, their limits.

Despite the difficult economic background, however, the global corporate sector is surprisingly healthy, which is supportive of dividends, share buy backs and M&A activity. Many companies have cut costs aggressively since the recession and have rebuilt their balance sheets as profits have recovered. Labour costs have been under tight control and profit margins are high. Multinational companies have been able to exploit growth opportunities in developing countries. Finally, valuations for many stocks have compressed, which should support equity returns over the long term.

Annual General Meeting

This year the Annual General Meeting will be held at Trinity House, Trinity Square, Tower Hill, London EC3N 4DH, on Friday, 16 March, and we look forward to meeting those Shareholders who are able to attend.

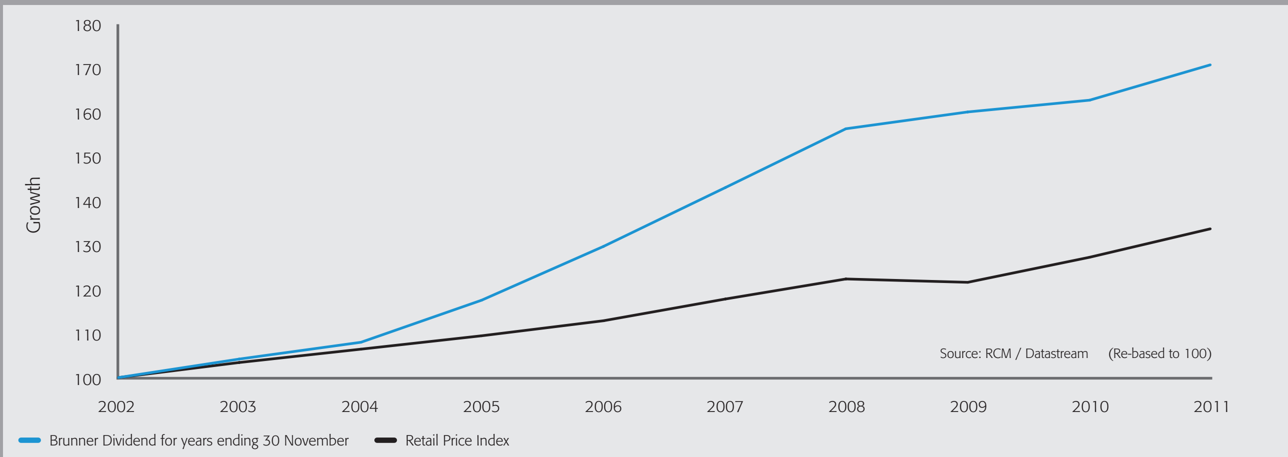
Keith Percy
Chairman
15 February 2012

Attractive valuations should support equity returns over the long term.

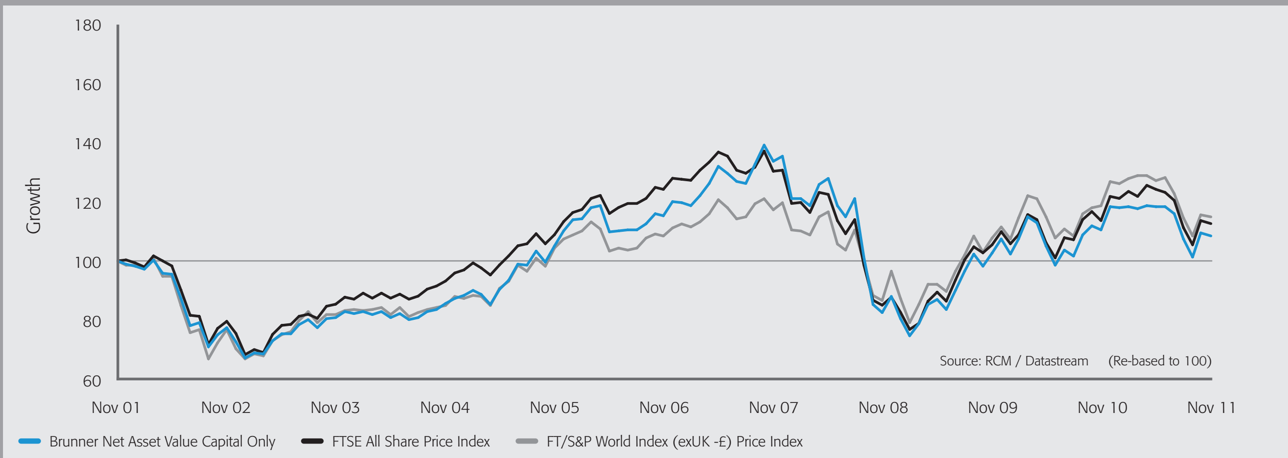
Investment Managers' *Review*

Performance Graphs

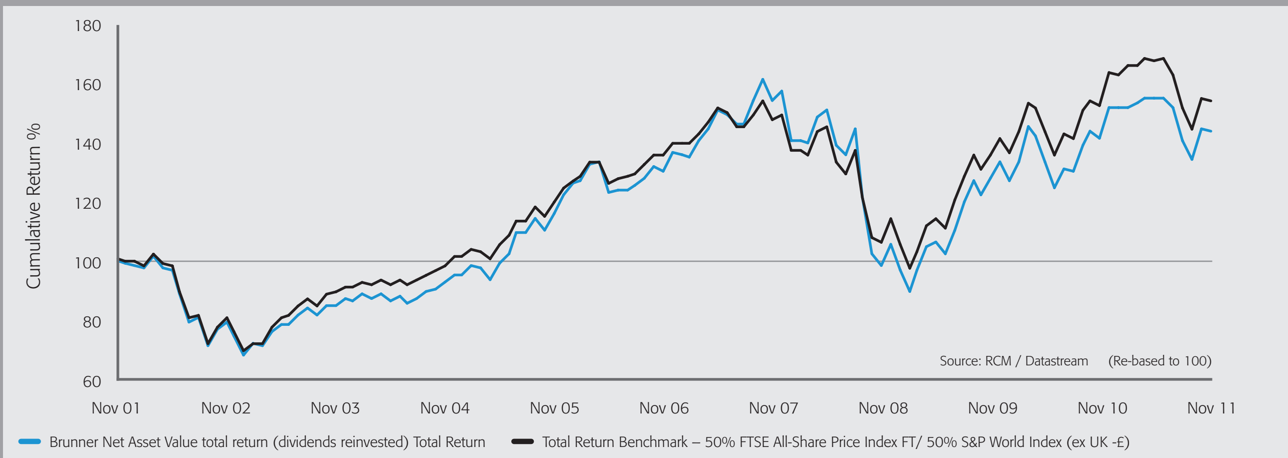
Brunner Investment Trust dividends in respect of the year against the Retail Price Index – 10 year record



Brunner Investment Trust Net Asset Value capital return against benchmark constituents – 10 year record



Brunner Investment Trust Net Asset Value total return against benchmark - 10 year record



Thirty Largest Investments

at 30 November 2011

Name	Valuation (£)	% of Invested Funds	Principal Activities
Treasury Stock 5% 07/03/2012	10,117,750	4.04	Gilt
Treasury Stock 2.5% I/L 16/04/2020	9,098,591	3.63	Gilt
GlaxoSmithKline	8,996,583	3.59	Pharmaceuticals & Biotechnology
Treasury Stock 4% 07/03/2022	8,607,563	3.44	Gilt
Royal Dutch Shell 'B' Shares	8,229,770	3.28	Oil & Gas Producers
BP	8,045,258	3.21	Oil & Gas Producers
Vodafone Group	6,879,575	2.75	Mobile Telecommunications
Diageo	5,579,556	2.23	Beverages
HSBC Holdings	5,100,830	2.04	Banks
Unilever	4,908,485	1.96	Food Producers
Reed Elsevier	4,159,522	1.66	Media
Rio Tinto	4,007,935	1.60	Mining
Tesco	3,791,527	1.51	Food & Drug Retailers
Centrica	3,586,649	1.43	Gas, Water & Multiutilities
Apple	3,369,306	1.34	Technology Hardware & Equipment
Philip Morris	3,091,664	1.23	Tobacco
Celegene	3,047,677	1.22	Pharmaceuticals & Biotechnology
Abbott Laboratories	3,011,601	1.20	Pharmaceuticals & Biotechnology
Allergan	2,891,714	1.15	Pharmaceuticals & Biotechnology
Anglo American	2,889,005	1.15	Mining
Cobham	2,839,807	1.13	Aerospace & Defence
Reckitt Benckiser	2,703,482	1.08	Household Goods
Bunzl	2,695,742	1.08	Support Services
Nestle	2,595,187	1.04	Food Producers
Fresenius	2,567,753	1.02	Health Care Equipment & Services
Starbucks	2,468,778	0.99	Travel & Leisure
BAE Systems	2,446,394	0.98	Aerospace & Defence
Canon	2,430,565	0.97	Technology Hardware & Equipment
Henkel	2,413,742	0.96	Household Goods
Itochu	2,317,271	0.92	Support Services
	134,889,282	**53.83**	**% of Total Invested Funds**

Investment Managers' Review

Market review

The 12 month period under review was marked by elevated levels of volatility as equities globally were buffeted by concerns about global growth prospects and the on-going Euro crisis. After a reasonably strong start to the year, markets fell in Q211 due to tepid US economic data and amid indications that Greece's debt crisis was spreading to other Eurozone countries. Q311 saw further weakness exacerbated by US political gamesmanship, which narrowly avoided a debt default but not the first ever credit rating downgrade. Volatility continued in October and November with an initial recovery based on growing hopes that the Euro crisis was near resolution giving way to heavy selling pressure as changes in political leadership in Italy and Greece and escalating borrowing costs for peripheral Europe caused investors to reduce their exposure to risk assets.

Portfolio Review

Over the period the overall portfolio fell by 1.2% against a benchmark fall of 2.0%, giving a relative outperformance of 0.8%. During the year we further consolidated the portfolio. We now aim to hold around one hundred stocks and we believe this increased focus has contributed to the improvement in performance. Whilst the UK portfolio underperformed in the year the overseas portfolio more than compensated. **Nalco Holding Company**, the target of a takeover by cleaning products maker Ecolab, was the most important stock driver to performance over the year, followed by **GlaxoSmithKline** which benefited from its defensive characteristics and attractive dividend yield. This was a fairly important theme with **Philip Morris** International and **Diageo** also performing well.

Estee Lauder, the cosmetics manufacturer, also performed strongly. The global prestige beauty category is seeing robust growth, as is the high margin travel retail channel. Internally, Estee Lauder has been delivering steady margin expansion via portfolio mix improvements. With continued healthy sales growth, the company could generate further operating leverage. Valuations are catching up with the company's growth prospects and we have been taking profits as the share price has appreciated.

Stock selection was also impacted by disappointing returns from **Mothercare**. The market now appears to be pricing in at least a £200m negative value for the UK division and we believe this is too pessimistic.

The underweight in materials helped performance. As we wrote last year, the key drivers of the sector include global macro factors such as emerging markets growth, commodity prices, and risk appetite. We were concerned that we could see a slowdown in China that would have negative implications for mining companies. This, as well as the general rise in risk aversion, caused the sector to fall. We now believe valuations are more reasonable and are of the view that China will avoid a hard landing and, therefore, be more favourably disposed toward the sector than before.

The portfolio's underweight in financials also contributed to returns. We remain wary of European banks given their funding requirements and exposure to the Euro crisis. In the UK we are invested in minimally geared businesses with long term growth potential, such as **Hiscox**, **IG Group** and **Man Group**, where the travails of the sector have left these stocks lowly valued even where their market positions and business models have been mostly unaffected.

New holdings introduced into the portfolio included **Bunzl**, the distribution group, which produces sustainably high returns on capital and strong cash flow driven by a balance of organic and acquisition led growth. We were able to build a large position at attractive prices in the early part of the year.

Jeremy Thomas has been managing the UK portfolio since 2010.

Lucy Macdonald has been managing the overseas portfolio since 2005.

Investment Managers' Review

(continued)

We also added two companies with attractive emerging markets infrastructure exposure: **Flowserve** and **International Power**. Flowserve is benefiting from strong fundamentals in the energy, chemicals and water end-markets. Developing markets exposure is growing strongly and now represents 30-40% of sales. Expansion of the worldwide installed base continues to drive aftermarket revenue; spare parts, service solutions and product life cycle solutions are higher margin businesses and a key component to the company expanding margins. The company has also restructured by selling lower return businesses and focusing on less commoditised projects with meaningful aftermarket revenue opportunities. This has led to higher operating margins and return on invested capital (ROIC). Despite the improved return profile and better visibility on project bookings, the stock appears significantly undervalued. We are also excited about International Power, where we believe the opportunity to grow the business in the power-hungry emerging markets is not fairly reflected in the valuation.

Stocks eliminated from the portfolio include **Walt Disney, Aviva and Melrose**. Whilst Disney remains a quality franchise, the company is experiencing softening in the theme park division and mixed results in film. Additionally, earnings quality was impaired by early recognition of affiliate fee revenues in the cable TV division, which implied lower future earnings growth. The original investment case for Aviva was based on an improving but underappreciated cash flow profile combined with a valuation discount against peers, which has now largely played out. We have been investors in Melrose for many years, and continue to believe it is a high quality company with an excellent management team. We sold our position because there was no longer sufficient valuation support following the exceptional performance of the shares.

2012 Outlook

There is considerable uncertainty as to how 2012 and the years beyond that will evolve. It is, however, clear that we are in a post financial crisis world, an environment that only occurs every few decades, but never before in such a global form. A number of large countries have a solvency issue that cannot be solved quickly or painlessly. Consumers, Sovereigns and Banks are attempting to pay down debt, or deleverage, in part out of necessity and in part out of choice. Regulation, as electorates and politicians respond to the sins of the bubble, amplifies this deleveraging, which weighs on economic growth that will be, at best, below trend. Economic cycles will likely revert to their pre-1980s pattern of short periods of expansion punctuated by contractions every three or four years. As the global economy moves from an environment of plenty to one of scarcity, politics matters more than it has in many decades.

There is a temptation to make bold predictions; the break-up of the Eurozone, the demise of fiat (paper) currencies, inflation, depression, a hard landing in China, an extended rise in government bond yields, a revolution in Russia, war with Iran, conflict on the Korean peninsula, and widespread social unrest. All of these things are possible but assigning any specific probability to any of them is near impossible, particularly with a specific date in mind. None of these risks would be our central case for 2012. Policy makers have less scope to respond to economic weakness than in the aftermath of the global financial crisis two years ago as interest rates are already low and fiscal deficits are at, or even above, their limits. It seems likely that growth in the US will need to be supported by more quantitative easing. If no rapid solution can be found to the Eurozone problem the ECB may well have to swallow its principles and resort to the printing press to fund sovereign debt. This would be highly supportive of equity markets in the short run and has the potential

High volatility caused by macro-economic uncertainty, not least due to the Eurozone debt crisis, dominated markets through 2011.

Investment Managers' Review

(continued)

to wrong foot investors taking an excessively defensive stance in response to the obvious economic challenges.

In order to retain the confidence of sovereign debt markets, the UK government has little choice but to continue to attempt to reduce the structural deficit via a concerted reduction in spending and an increase in taxes. To do anything else would risk seeing bond yields rise which would be disastrous given the level of consumer indebtedness. Unemployment is unlikely to fall in this environment and wage growth will remain subdued suggesting consumer spending will continue to be weak. Any upswing in economic growth will therefore have to come from improved exports or business investment. The UK economy is relatively open and the devaluation of sterling has been a benefit. However, the economy has considerable trade and financial links with the Eurozone, which is likely to be a further negative influence on confidence. It seems likely that the UK economy will flirt with recession throughout 2012 and the Bank of England will attempt to offset this via a rolling programme of quantitative easing.

Despite the difficult economic background, the global corporate sector is surprisingly healthy, which is supportive of dividends, share buybacks and M&A activity. Many companies have cut costs aggressively since the recession and have rebuilt their balance sheets as profits have recovered. Labour costs have been under tight control and profit margins are high. Multinational companies have been able to exploit growth opportunities in developing countries. In addition, global monetary policy continues to be accommodative, offsetting some of the fiscal tightening we are seeing in Europe and, possibly, the US. Finally, valuations for many stocks have compressed, which should support equity returns over the long term. However, it is worth noting than in the UK and elsewhere bottom-up analyst forecasts still imply robust earnings growth and margin expansion across most sectors this year and next, which we consider unlikely to happen.

In this type of environment, vigilant risk management in terms of avoiding capital loss and managing on-going market volatility will be crucial, particularly as corporate earnings momentum is negative. Some of the more recent new issues to the UK market have been of somewhat dubious quality. Fortunately, we can find many good companies in which to invest, where low valuations and high dividend yields offer genuine support to the long term investor, particularly in a low interest rate environment. We continue to bias portfolios towards high quality, attractively valued businesses with strong balance sheets operating in industries, such as pharmaceuticals, technology or household products. However, there do remain opportunities in other sectors, including selective industrials and financials. We favour businesses with structural growth potential, such as those with exposure to emerging market consumers, as we think sustainable growth should be valued at a premium in this environment. Among the stocks with these characteristics in the portfolio are **GlaxoSmithKline, Reed, Apple, Starbucks** and **Bunzl**, and we expect them to perform well in a tough 2012.

Lucy Macdonald and Jeremy Thomas
RCM (UK) Limited

The corporate sector remains very strong and will provide good opportunities.

Investment Managers' Review *(continued)*

at 30 November 2011

United Kingdom Listed Equity Holdings

Name	Value (£)	% of Invested Funds	Sector
GlaxoSmithKline	8,996,583	3.59	Pharmaceuticals & Biotechnology
Royal Dutch Shell 'B' Shares	8,229,770	3.28	Oil & Gas Producers
BP	8,045,258	3.21	Oil & Gas Producers
Vodafone Group	6,879,575	2.75	Mobile Telecommunications
Diageo	5,579,556	2.23	Beverages
HSBC Holdings	5,100,830	2.04	Banks
Unilever	4,908,485	1.96	Food Producers
Reed Elsevier	4,159,522	1.66	Media
Rio Tinto	4,007,935	1.60	Mining
Tesco	3,791,527	1.51	Food & Drug Retailers
Centrica	3,586,649	1.43	Gas, Water & Multiutilities
Anglo American	2,889,005	1.15	Mining
Cobham	2,839,807	1.13	Aerospace & Defence
Reckitt Benckiser	2,703,482	1.08	Household Goods
Bunzl	2,695,742	1.08	Support Services
BAE Systems	2,446,394	0.98	Aerospace & Defence
Resolution	2,275,430	0.91	Life Insurance
Xstrata	2,237,400	0.89	Mining
BG Group	2,187,864	0.87	Oil & Gas Producers
Barclays	2,109,624	0.84	Banks
Compass	1,932,856	0.77	Travel & Leisure
Inmarsat	1,801,261	0.72	Mobile Telecommunications
Tullett Prebon	1,789,912	0.71	Financial Services
Carnival	1,768,575	0.71	Travel & Leisure
International Power	1,511,292	0.60	Gas, Water & Multiutilities
Hiscox	1,415,559	0.56	Non-Life Insurance
Phoenix	1,398,967	0.56	Life Insurance
IG Group	1,391,731	0.56	Financial Services
Intermediate Capital Group	1,378,693	0.55	Financial Services
Balfour Beatty	1,328,463	0.53	Construction & Materials
Travis Perkins	1,292,532	0.52	Support Services
Sage	1,267,055	0.51	Software & Computer Services
Hays	1,120,922	0.45	Support Services
Aegis Group	1,109,487	0.44	Media

Investment Managers' Review *(continued)*

at 30 November 2011

United Kingdom Listed Equity Holdings (continued)

Name	Value (£)	% of Invested Funds	Sector
Man Group	1,107,600	0.44	Financial Services
Mothercare	1,023,985	0.41	General Retailers
Xchanging	1,002,703	0.40	Support Services
Carillion	999,434	0.40	Support Services
Boot (Henry)	895,345	0.36	Construction & Materials
Lupus Capital	891,159	0.36	Construction & Materials
Keller Group	762,776	0.30	Construction & Materials
Petroceltic International	693,289	0.28	Oil & Gas Producers
AZ Electronic Materials	562,088	0.22	Chemicals
Royal Bank of Scotland	442,583	0.17	Banks
	114,558,705	**45.72**	**% of Total Invested Funds**

United Kingdom Unlisted Equity Holdings

Name	Value (£)	% of Invested Funds	Sector
Fintrust Debenture	4,338	0.00	Financial Services
First Debenture Finance	24,178	0.01	Financial Services
	28,516	**0.01**	**% of Total Invested Funds**

United Kingdom Fixed Interest Holdings

Name	Value (£)	% of Invested Funds	Sector
Treasury Stock 5% 07/03/2012	10,117,750	4.04	Gilt
Treasury Stock 2.5% I/L 16/04/2020	9,098,591	3.63	Gilt
Treasury Stock 4% 07/03/2022	8,607,563	3.43	Gilt
	27,823,904	**11.10**	**% of Total Invested Funds**

Investment Managers' Review *(continued)*

at 30 November 2011

North America Listed Equity Holdings

Name	Value (£)	% of Invested Funds	Sector
Apple	3,369,306	1.34	Technology Hardware & Equipment
Philip Morris	3,091,664	1.23	Tobacco
Celegene	3,047,677	1.22	Pharmaceuticals & Biotechnology
Abbott Laboratories	3,011,601	1.20	Pharmaceuticals & Biotechnology
Allergan	2,891,713	1.15	Pharmaceuticals & Biotechnology
Starbucks	2,468,778	0.99	Travel & Leisure
Crown Castle International	2,199,745	0.88	Mobile Telecommunications
US Bancorp	2,063,143	0.82	Banks
Flowserve	2,062,649	0.82	Industrial Engineering
Priceline.com	2,011,792	0.80	Travel & Leisure
United Health Group	1,994,535	0.80	Health Care Equipment & Services
Tyco	1,984,086	0.79	General Industrials
Accenture	1,908,360	0.76	Support Services
Visa	1,816,811	0.73	Financial Services
Wells Fargo	1,795,317	0.72	Banks
Suncor Energy	1,758,539	0.70	Oil & Gas Producers
National Oilwell Varco	1,736,507	0.69	Oil Equipment, Services & Distribution
Prudential	1,722,462	0.69	Life Insurance
Microchip Technology	1,713,735	0.68	Technology Hardware & Equipment
Estee Lauder 'A'	1,657,847	0.66	Personal Goods
Agilent Technologies	1,624,065	0.65	Electronic & Electrical Equipment
Amazon	1,393,810	0.56	General Retailers
F5 Network	1,253,046	0.50	Technology Hardware & Equipment
Danaher	1,176,771	0.47	Electronic & Electrical Equipment
Google	1,152,677	0.46	Software & Computer Services
Netapp	1,117,194	0.45	Technology Hardware & Equipment
Marathon Petroleum	1,024,659	0.41	Oil & Gas Producers
	53,048,489	**21.17**	**% of Total Invested Funds**

Investment Managers' Review *(continued)*

at 30 November 2011

Latin America Listed Equity Holdings

Name	Value (£)	% of Invested Funds	Sector
Itau Unibanco	1,530,405	0.61	Banks (Brazil)
CPFL Energia SA	1,138,320	0.45	Electricity (Brazil)
CCR	967,078	0.39	Industrial Transportation (Brazil)
	3,635,803	**1.45**	**% of Total Invested Funds**

Continental Europe Listed Equity Holdings

Name	Value (£)	% of Invested Funds	Sector
Nestle	2,595,187	1.04	Food Producers (Switzerland)
Fresenius	2,567,753	1.02	Health Care Equipment & Services (Germany)
Henkel	2,413,742	0.96	Household Goods (Germany)
Technip	1,899,662	0.76	Oil Equipment, Services and Distribution (France)
Adidas	1,859,912	0.74	Personal Goods (Germany)
Air Liquide	1,782,452	0.71	Chemicals (France)
Amadeus	1,753,621	0.70	Support Services (Spain)
BASF	1,735,629	0.69	Chemicals (Germany)
Muenchener Rueckve	1,650,161	0.66	Non-Life Insurance (Germany)
Eutelsat	1,587,835	0.63	Media (France)
ABB	1,473,233	0.59	Industrial Engineering (Switzerland)
Vienna Insurance	1,365,611	0.54	Non-Life Insurance (Austria)
Umicore	949,967	0.39	Chemicals (Belguim)
	23,634,765	**9.43**	**% of Total Invested Funds**

Investment Managers' Review *(continued)*

at 30 November 2011

Japan Listed Equity Holdings

Name	Value (£)	% of Invested Funds	Sector
Canon	2,430,565	0.97	Technology Hardware & Equipment
Itochu	2,317,271	0.92	Support Services
Mitsui Fudosan	1,791,206	0.71	Real Estate
SMC	1,453,768	0.59	Industrial Engineering
	7,992,810	**3.19**	**% of Total Invested Funds**

Pacific Basin Listed Equity Holdings

Name	Value (£)	% of Invested Funds	Sector
China Mobile	2,151,813	0.86	Mobile Telecommunications (Hong Kong)
Australia & New Zealand Bank	1,885,934	0.75	Banks (Australia)
BHP Billiton	1,844,621	0.74	Mining (Australia)
Samsung Electronic	1,840,808	0.73	Technology Hardware & Equipment (Korea)
Jardine Matheson	1,623,327	0.65	General Industrials (Singapore)
Genting Singapore	1,560,154	0.62	Travel & Leisure (Singapore)
Taiwan Semiconductor (ADS)	1,433,202	0.57	Electronic & Electrical Equipment (Taiwan)
Standard Chartered	1,424,389	0.57	Banks (Hong Kong)
AIA	1,407,526	0.56	Life Insurance (Hong Kong)
Fubon Financial	1,341,688	0.54	Life Insurance (Taiwan)
Baidu.com	1,299,739	0.52	Software & Computer Services (China)
CNOOC	1,028,019	0.41	Oil & Gas Producers (Hong Kong)
Jiangsu Express	1,018,494	0.41	Industrial Transportation (China)
	19,859,714	**7.93**	**% of Total Invested Funds**

Distribution of Invested Funds

at 30 November 2011

Invested Funds - £222,758,802 (2010 - £231,992,692)
excluding Treasury Stocks - £27,823,904 (2010 - £26,017,284)

	United Kingdom %	North America %	Other Countries %	2011 Total %	50% All-Share 50% World Index 2010 Benchmark Sector Weighting*	2010 Total %
Oil & Gas						
Oil & Gas Producers	8.60	1.25	0.46	10.31	10.31	10.92
Oil Equipment, Services & Distribution	-	0.78	0.85	1.63	1.63	1.09
	8.60	**2.03**	**1.31**	**11.94**	**11.94**	**12.01**
Basic Materials						
Chemicals	0.25	-	2.02	2.27	2.26	2.58
Forestry & Paper	-	-	-	-	-	-
Industrial Metals	-	-	-	-	-	-
Mining	4.10	-	0.82	4.92	4.93	4.30
	4.35	**-**	**2.84**	**7.19**	**7.19**	**6.88**
Industrials						
Aerospace & Defence	2.37	-	-	2.37	2.37	2.38
Alternative Energy	-	-	-	-	-	0.66
Construction & Materials	1.74	-	-	1.74	1.74	1.79
Electronic & Electrical Equipment	-	1.26	0.64	1.90	0.73	2.76
General Industrials	-	0.89	0.73	1.62	2.15	2.23
Industrial Engineering	-	0.93	1.31	2.24	2.24	1.89
Industrial Transportation	-	-	0.89	0.89	0.90	0.55
Support Services	3.19	0.85	1.84	5.88	5.88	3.73
	7.30	**3.93**	**5.41**	**16.64**	**16.01**	**15.99**
Consumer Goods						
Automobiles & Parts	-	-	-	-	-	-
Beverages	2.50	-	-	2.50	2.50	2.02
Food Producers	2.20	-	1.17	3.37	3.37	3.21
Household Goods	1.21	-	1.08	2.29	2.30	2.16
Leisure Goods	-	-	-	-	-	1.95
Personal Goods	-	0.73	0.84	1.57	1.58	2.67
Tobacco	-	1.39	-	1.39	1.39	1.00
	5.91	**2.12**	**3.09**	**11.12**	**11.14**	**13.01**

Distribution of Invested Funds *(continued)*

at 30 November 2011

	United Kingdom %	North America %	Other Countries %	2011 Total %	50% All-Share 50% World Index 2010 Benchmark Sector Weighting*	2010 Total %
Health Care						
Health Care Equipment & Services	-	0.90	1.15	2.05	2.05	2.36
Pharmaceuticals & Biotechnology	4.04	4.02	-	8.06	8.05	6.84
	4.04	**4.92**	**1.15**	**10.11**	**10.10**	**9.20**
Consumer Services						
Food & Drug Retailers	1.70	-	-	1.70	1.70	1.11
General Retailers	0.46	0.63	-	1.09	1.09	1.15
Media	2.37	-	0.71	3.08	3.08	4.46
Travel & Leisure	1.66	2.01	0.70	4.37	4.37	3.86
	6.19	**2.64**	**1.41**	**10.24**	**10.24**	**10.58**
Telecommunications						
Fixed Line Telecommunications	-	-	-	-	-	-
Mobile Telecommunications	3.90	0.98	0.97	5.85	5.85	5.56
	3.90	**0.98**	**0.97**	**5.85**	**5.85**	**5.56**
Utilities						
Electricity	-	-	0.52	0.52	0.51	-
Gas, Water & Multiutilities	2.30	-	-	2.30	2.29	1.83
	2.30	**-**	**0.52**	**2.82**	**2.80**	**1.83**
Financials						
Banks	3.44	1.73	2.17	7.34	7.34	9.54
Equity Investment	-	-	-	-	-	-
Financial Services	2.54	0.82	-	3.36	3.36	3.86
Non-Life Insurance	0.64	-	1.35	1.99	1.98	0.91
Life Insurance	1.65	0.77	1.23	3.65	3.66	3.14
Real Estate	-	-	0.80	0.80	0.81	0.53
	8.27	**3.32**	**5.55**	**17.14**	**17.15**	**17.98**

Distribution of Invested Funds *(continued)*

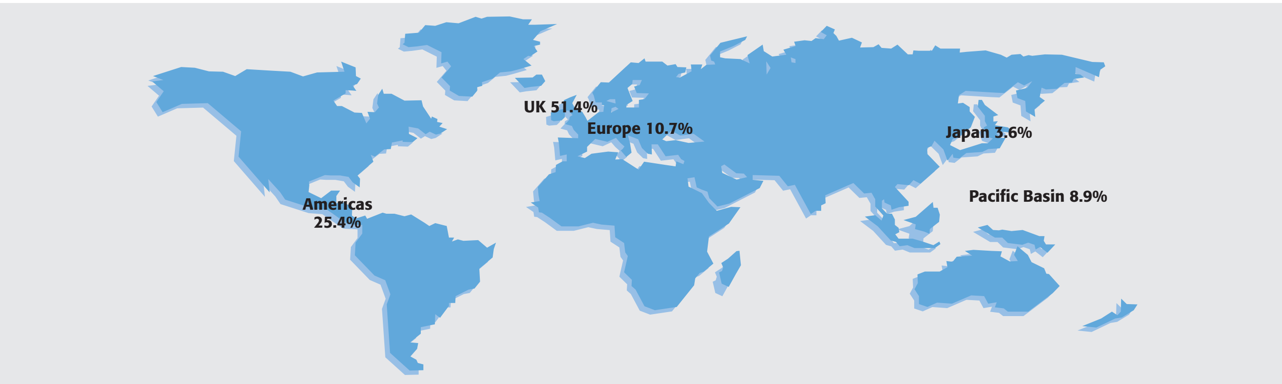
at 30 November 2011

	United Kingdom %	North America %	Other Countries %	2011 Total %	50% All-Share 50% World Index 2010 Benchmark Sector Weighting*	2010 Total %
Information Technology						
Software & Computer Services	0.57	0.52	0.58	1.67	1.67	2.55
Technology Hardware & Equipment	-	3.35	1.92	5.27	5.91	4.40
	0.57	**3.87**	**2.50**	**6.94**	**7.58**	**6.95**
Unquoted	0.01	-	-	0.01	-	0.01
	0.01	**-**	**-**	**0.01**	**-**	**0.01**
Total	**51.44**	**23.81**	**24.75**	**100.00**	**100.00**	**100.00**

The above groupings are based on the FT-Actuaries Share Indices.

* In order to enable a fairer comparison against the benchmark, the Treasury Stocks have been excluded from the above table.

Geographical Disposition at 30 November 2011



Historical Record

year ended 30 November 2011

Revenue and Capital	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gross revenue (£000s)	7,232	7,327	7,163	7,365	8,023	8,926	9,538	7,531	6,674	7,822
Earnings per share	8.16p	8.65p	8.43p	9.21p	10.73p	12.88p	14.32p	12.22p	10.31p	12.28p
Dividend per share (net)	7.50p	7.80p	8.10p	8.80p	9.70p	10.70p	11.70p	12.00p	12.20p	12.80p
Tax credit per share	0.83p	0.87p	0.90p	0.98p	1.08p	1.19p	1.30p	1.33p	1.36p	1.42p
Total dividend per share	8.33p	8.67p	9.00p	9.78p	10.78p	11.89p	13.00p	13.33p	13.56p	14.22p
Total net assets (£000s)	189,375	189,656	191,267	225,699*	241,106	271,819	168,045	206,492	217,747	204,580
Net Asset Value per Ordinary Share	329.0p	343.1p	364.1p	451.7p*	495.7p	573.2p	357.8p	443.8p	476.0p	468.6p
Net Asset Value (Debt at market value)~	-	-	336.2p	418.1p*	466.1p	550.4p	333.5p	419.4p	444.6p	428.2p
Share price	262.5p	262.5p	288.5p	364.0p	408.0p	464.0p	288.4p	368.0p	390.5p	380.5p
Discount (%)	20	23	21	19*	18	19	19	17	18	19
Discount (Debt at market value)	-	-	14	13*	12	16	14	12	12	11

Notes

~ Calculated from 2004 and announced since then in accordance with AIC guidelines. See Note 17 on page 59.

* Figures are restated in accordance with Financial Reporting Standards 21 'Events after the Balance Sheet Date', 25 'Financial Instruments: Disclosure and Presentation' and 26 'Financial Instruments: Recognition and Measurement'. Years prior to 2005 have not been restated.

The share prices quoted in the London Stock Exchange Daily Official List for 30 November 2011 were 380p to 383p.

Geographical Disposition

	Percentage of Investment Funds									
	2002*	2003*	2004*	2005*	2006*	2007*	2008*	2009*	2010*	2011*
United Kingdom	58.1	56.7	57.3	59.3	59.5	60.4	48.1	51.4	49.8	51.4
Europe	9.3	11.0	12.4	13.6	12.6	10.8	11.4	11.4	11.9	10.7
Americas	21.7	23.0	20.2	17.2	18.6	22.0	29.1	26.4	26.5	25.4
Japan	3.6	4.1	5.8	5.2	4.2	3.0	5.2	4.0	4.2	3.6
Pacific Basin	5.1	4.9	4.3	4.7	4.7	3.8	5.1	6.1	6.9	8.9
Other Countries	2.2	0.3	0.0	0.0	0.4	0.0	1.1	0.7	0.7	0.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Excludes Cash and Treasury Stock.

Directors' *Review*

Directors and Managers

Directors

All directors are non-executive.

Keith Percy (Chairman)†
Joined the Board on 1 January 2004. He is a non-executive director of F&C Asset Management plc, Standard Life Equity Income Trust plc, JPMorgan Japanese Investment Trust plc, The Henderson Smaller Companies Investment Trust plc and The Children's Mutual. He was previously Chairman of S G Asset Management UK and before that Chief Executive of Morgan Grenfell Asset Management.

Ian Barlow FCA CTA (Fellow)*
(Audit Committee Chairman)
Joined the Board in November 2009. Ian worked full time from 1973 until 2008 at KPMG, latterly as London Office Senior Partner, and prior to that, from 1993-2001, as Head of Tax and Legal. He is Chairman of WSP Group plc and a non-executive director of Smith & Nephew PLC, First Debenture Finance PLC, PA Consulting Group, and a board member of the London Development Agency, and the China-Britain Business Council and Chairman of The Racecourse Association. Ian is a Fellow of Institute of Chartered Accountants in England and Wales and of the Chartered Institute of Taxation.

Vivian Bazalgette MA*
Joined the Board on 1 January 2004. He is a non-executive director of Henderson High Income Trust PLC and Perpetual Income and Growth Investment Trust PLC. He is also a non-executive director of St James's Place PLC and adviser to the pension fund of BAE Systems Plc. He retired as Chief Investment Officer of M & G Investment Management in September 2002 and was formerly a director of Gartmore Investment Management plc.

Peter Maynard*
Joined the Board in October 2010. He is a solicitor and qualified with Slaughter and May in 1977. He is a non-executive director of Edinburgh Dragon Investment Trust plc. He was Group Legal director at Prudential plc from 1998 to 2009 and Company Secretary from July 1999. Prior to that he was with HSBC for 14 years during which time he was variously a director of HSBC Investment Bank, President and Chief Executive Officer of James Capel Inc in New York and finally Deputy Group Legal Adviser. Recently he has been the Head of Group Governance and Regulatory Compliance at Old Mutual plc. He is a former chairman of the GC100 and was a supervisory board member of the London Business School Centre for Corporate Governance.

William Worsley FRICS*
(Senior Independent Director and Remuneration Committee Chairman)
Joined the Board in January 2000. He is a Fellow of the Royal Institution of Chartered Surveyors and is former President of the Country Land & Business Association and was a director of the Skipton Building Society.

*Independent of the Managers.
†Independent on appointment as Chairman.

The Manager

RCM (UK) Limited, which is authorised and regulated by the Financial Services Authority is part of Allianz Global Investors, one of the largest fund managers in the world and as at 30 September 2011 had combined assets of €1,592 billion under management. Through its predecessors, RCM (UK) Limited has a heritage of investment trust management expertise in the UK reaching back to the nineteenth century and it had £0.98 billion assets under management in a range of investment trusts as at 30 November 2011.

Investment Manager
RCM (UK) Limited, 155 Bishopsgate, London EC2M 3AD, represented by Jeremy Thomas (UK Portfolio) and Lucy Macdonald (Overseas Portfolio).

Secretary and Registered Office
Kirsten Salt BA (Hons) ACIS,
155 Bishopsgate, London EC2M 3AD.
Telephone: 020 7065 1513
Email: kirsten.salt@uk.rcm.com

Registered Number
226323

Directors' Report

The directors present their Report which incorporates the Business Review and the audited Financial Statements for the year ended 30 November 2011.

Business Review

Business and Status of the Company

The Company carries on business as an investment trust whose income and capital gains are not subject to tax. It is not a close company for taxation purposes.

The Company is listed on the London Stock Exchange. In addition to annual and half-yearly financial reports and interim management statements, the Company announces net asset values per share daily and provides more detailed information monthly to the Association of Investment Companies, of which the Company is a member, in order for brokers and investors to compare its performance with its peer group.

The Board has appointed RCM (UK) Limited ('the Manager') to carry out investment management, accounting, secretarial and administration services on behalf of the Company. The Company has no employees or premises of its own.

Investment Objective and Policies

The Company's objective is to achieve a total return higher than that of the benchmark index of 50% FTSE All-Share and 50% FTSE World Index (ex UK £ adjusted) over the long term. The objective is to be achieved by investment in UK and international securities and by using appropriate gearing to enhance returns. This strategy is designed to meet the requirements of those seeking a single investment in a diversified and professionally managed portfolio. At 30 November 2011 the portfolio contained 109 stocks (2010 – 121). The Board's Investment Policy is set out in full on page 1.

Performance

The Board uses certain financial Key Performance Indicators ("KPIs") to monitor and assess the performance of the Company. The principal KPIs are:

- **Performance against the benchmark index**

  This is the most important KPI by which performance is judged. The principal objective is to achieve a total return higher than that of the benchmark index of 50% FTSE All-Share and 50% FTSE World Index (ex UK £ adjusted) over the long term.

  In the year to 30 November 2011 the Company produced a NAV capital return to shareholders of -1.6%. This compares with the return on the Company's benchmark index of -2.0%. In the previous year the NAV return was 7.3% and the benchmark index was 9.2%.

- **Performance against the Company's peers.**

  The Board also monitors the performance relative to a broad range of competitor investment trusts over a range of time periods, taking into account comparative investment policies and objectives.

- **Performance Attribution**

  The performance attribution is reviewed at each Board Meeting including the effect on performance of factors including geographical, stock and sector allocation. The analysis for the year ended 30 November 2011 is given in the explanation of the movement in net asset value per ordinary share on page 3.

- **Dividend Distribution**

  The Board has a policy of paying a progressive dividend each year, taking into account inflation and subject to general earnings growth and dividends received in the portfolio. Dividends paid in the past ten years are set out in the Historical Record table on page 21. Dividends have risen in every year and the graph on page 8 shows how the dividend has outpaced inflation.

- **Discount to net asset value ("NAV")**

  The Board has a share buy back programme to seek to reduce the volatility of movements in the discount and to enhance the NAV for the remaining shareholders as shares are bought back at a discount. In the year to 30 November 2011 the shares traded between a discount of 3.4% and 15.4% with debt at fair value - averaging 11.6% in the year.

- **Gearing**

  The Company has the facility to gear - borrow money - with the objective of enhancing future returns. The market price of the debt is calculated and reflected in the published net asset values and gearing can be used to help to support dividend payments. Historically, gearing has been in the form of long term fixed rate debentures. The Board monitors gearing to ensure that the Company's borrowings remain generally within 20% (as a percentage of net assets excluding borrowings).

- **Total expense ratio ("TER")**

  The total expenses of running the Company, whether charged to income or capital but excluding interest, are expressed as a percentage of average net assets over the year to arrive at the TER. These expenses comprise the management fee and other operating expenses, directors' fees and insurance, professional advice and regulatory fees, marketing fees and the costs of production of the reports to shareholders. In keeping with the approach taken by other investment companies,

Directors' Report

(continued)

the TER does not include the costs of transactions which are reflected in the capital account and described in Note 8 on page 54.

The TER for the year ended 30 November 2011 was 0.6% (2010 – 0.6%).

Performance over ten years is shown on page 21. The Investment Managers' review on pages 10 to 12 includes a review of developments during the year as well as information on investment activity within the Company's portfolio.

Share Capital

Details of the Company's share capital are set out in Note 11 on page 57. Further to a resolution passed on 17 March 2011, during the year the Company purchased 2,090,218 Ordinary Shares for cancellation, representing 4.57% of the Company's share capital at the beginning of the financial year. Since the year end the Company has repurchased 63,669 Ordinary Shares for cancellation for a consideration of £243,718.

A resolution to renew the authority to purchase shares for cancellation is to be put to shareholders at the forthcoming Annual General Meeting and the full text is set out in the Notice of Meeting on pages 71 to 73.

Future Development

The future development of the Company is dependent on the success of the Company's investment strategy against the economic environment and market developments. The Chairman gives his view on the outlook in his statement on page 5 and the investment managers discuss their view of the outlook for the Company's portfolio in their review on pages 10 to 12.

Going Concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities which are readily realisable and accordingly, that the Company has adequate financial resources to continue in operational existence for the foreseeable future. The directors' policy on Going Concern is set out on page 48.

Payment Policy

The Company agrees with its suppliers the terms on which business will take place and seeks to abide by these. The Company had no trade creditors at the year end.

Environmental Policy

The Board has instructed the Manager to take into account the impact of environmental policies on the investment prospects of the Company's underlying investments.

Donations and Subscriptions

No donations or subscriptions of a political or charitable nature were made during the year (2010 – £nil).

Auditor

A resolution to approve the re-appointment of Deloitte LLP will be proposed at the Annual General Meeting, together with a resolution authorising the directors to determine their remuneration.

Each of the directors at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
2. the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Management Contract and Management Fee

The management contract provides for a management fee based on 0.45% per annum of the value of the Company's assets after deduction of current liabilities, short term loans under one year and any other funds managed by the Manager. The contract can be terminated with six months' notice.

The Manager's performance under the contract and the contract terms are reviewed at least annually by the Management Engagement Committee. During the year, the committee met with the Manager to review the current investment framework, including the Company's objectives and benchmark; level of gearing; sector and geographical portfolio weightings; parameters for the portfolio and future outlook. The committee also reviewed the Manager's investment process and considered the investment management performance over various time periods. The committee noted the small improvement in performance. It also considered the level of the management fee, which it found to be appropriate. The committee was satisfied with its review and believes that the continuing appointment of the Manager is in the best interests of shareholders as a whole.

Related Party Transactions

During the financial year no transactions with related parties have taken place which would materially affect the financial position or the performance of the Company.

Directors' Report

(continued)

Principal Risks and Uncertainties

The principal risks identified by the Board are set out in the table on this page, together with the actions taken to mitigate these risks. A more detailed version of this table, in the form of a Risk Matrix, is reviewed and updated by the Board twice yearly. The principal risks and uncertainties faced by the Company relate to the nature of its objectives and strategy as an investment company and the markets in which it operates.

Description	Mitigation
Investment Strategy An inappropriate investment strategy, e.g., asset allocation or the level of gearing, may lead to underperformance against the Company's benchmark index and peer group companies, resulting in the Company's shares trading on a wider discount.	The Board manages these risks by diversification of investments through its investment restrictions and guidelines which are monitored and on which the Board receives reports. RCM (UK) Limited ("RCM") provides the directors with management information including performance data and reports and shareholder analyses. The Board monitors the implementation and results of the investment process with the investment managers, who attend all board meetings, and reviews data which show risk factors and how they affect the portfolio. The investment managers employ the Company's gearing tactically within a strategic range set by the Board. The Board meets annually specifically to discuss strategy, including investment strategy.
Market Volatility Market risk arises from uncertainty about the future prices of the Company's investments. It represents the potential loss the Company might suffer through holding investments in the face of negative market movements.	The Board considers asset allocation, stock selection and levels of gearing at every board meeting and has set investment restrictions and guidelines that are monitored and reported on by RCM. The Board also monitors currency movement and determines hedging policy as appropriate. At the year end the Company had no hedging in place.
Financial and Liquidity Risk	The financial risks to the Company and the controls in place to manage these risks are disclosed in detail in Note 18 beginning on page 66.

In addition to the specific principal risks identified in the table above, the Company faces risks to the provision of services from third parties and more general risks relating to compliance with accounting, legal and regulatory requirements, and with corporate governance and shareholder relations issues which could have an impact on reputation and market rating. These risks are formally reviewed by the Board twice each year. Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement within the Directors' Report beginning on page 29.

The Board's reviews of the risks faced by the Company also include an assessment of the residual risks after mitigating action has been taken.

Directors' Report

(continued)

Revenue

	2011 £	2011 £
Gross income for the year		7,821,886
Deduct		
Expenses of administration	(731,582)	
Finance costs of borrowings	(1,355,941)	
Total expenses		**(2,087,523)**
Amount subject to taxation		**5,734,363**
Taxation absorbed		(238,844)
Available for distribution to the Ordinary Shareholders		**5,495,519**
Dividends in respect of the financial year		
Interim 4.8p per Ordinary Share paid 2 September 2011	(2,105,500)	
Final proposed 8.0p per Ordinary Share payable 23 March 2012	(3,492,687)	
		(5,598,187)
Total transferred from Revenue Reserve		**(102,668)**

The Board declared an interim dividend of 4.8p per Ordinary Share which was paid on 2 September 2011. The Board recommends a final dividend for the year ended 30 November 2011 of 8.0p, payable on 23 March 2012, making a total distribution for the year of 12.8p per Ordinary Share. The next interim dividend payment is expected to be made in August 2012.

The following disclosures are made in accordance with Part 6 of Schedule 7 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008.

Capital Structure

The Company's capital structure is set out in Note 11 on page 57.

Voting Rights in the Company's Shares

As at 1 February 2012, the Company's capital consisted of:

Share class	Number of shares issued	Voting rights per share	Total Voting Rights
Ordinary Shares of 25p	43,594,918	1	43,594,918
5% Cumulative Preference Shares of £1	450,000	0	0
Total			

These figures remain unchanged as at the date of this report.

Interests in the Company's Share Capital

At the date of this report, the Company was aware of the following interests in the Company's share capital greater than 3%: T Thornton Jones (as trustee 16.41%); Sir Hugo Brunner (beneficial 2.24% – as trustee 11.88%); TBH Brunner (beneficial 1.74% – as trustee 4.40%); JHK Brunner (beneficial 4.32% – as trustee 1.92%).

Directors' Report

(continued)

Mr T Thornton Jones acts as a co-trustee with Mr TBH Brunner in respect of 1,716,781 Ordinary Shares (3.94%), which form part of Mr TBH Brunner's trustee holding. Mr T Thornton Jones also acts as co-trustee with Sir Hugo Brunner in respect of 4,508,223 Ordinary Shares (10.34%) which form part of Sir Hugo Brunner's trustee holdings.

In addition, the Company has received notifications of the following interests in the voting rights of the Ordinary Shares: AXA Group 19.6%; 1607 Capital Partners 10.06%; and M & G Investment Management 3.99%.

Analysis of Share Register

Based on an analysis of the Ordinary Share register at 2 February 2012 (11 February 2011).

	February 2012				February 2011			
Shareholder Type	Number of Holders	%	Number of shares	%	Number of Holders	%	Number of shares	%
Private holders	759	66.3	9,027,526	20.7	802	59.5	9,315,200	20.5
Nominees	342	29.9	33,465,747	76.8	494	36.7	34,699,866	76.4
Limited Companies	21	1.8	126,541	0.3	27	2.0	177,415	0.4
Investment Trusts	3	0.3	4,201	-	3	0.2	4,201	0.0
Banks and Bank Nominees	8	0.7	919,457	2.1	8	0.6	1,170,018	2.6
Other Institutions	11	1.0	51,446	0.1	13	1.0	57,105	0.1
	1,144	**100.0**	**43,594,918**	**100.00**	**1,347**	**100.0**	**45,420,805**	**100.0**

Included in 'Nominees' are holdings on behalf of a significant number of private investors.

Directors' Report

(continued)

Directors

William Worsley, having held office for more than nine years, is subject to annual re-election under the provisions of the AIC Code of Corporate Governance and accordingly he is retiring at the Annual General Meeting and offers himself for re-election. Notwithstanding the length of service of William Worsley, the Board views him as independent of the Manager. The other director retiring by rotation is Keith Percy.

Biographical details of the directors are on page 23. The present directors and their interests in the share capital of the Company as at 30 November 2011 are set out below.

All of the serving directors were subject to a formal performance appraisal in respect of the year and it was found that each continues to be effective, have the appropriate skills and demonstrated commitment and the necessary time to his role. All directors attended all board and relevant committee meetings during the year.

Ordinary Shares of 25p	2011 Beneficial	2011 As Trustee	2010 Beneficial	2010 As Trustee
Keith Percy	4,000	–	4,000	–
Ian Barlow	23,000	–	13,000	–
Vivian Bazalgette	4,000	–	4,000	–
Peter Maynard	4,000	–	4,000	–
William Worsley	110,000	513,100	110,000	513,100

No contracts of significance in which directors are deemed to have been interested have subsisted during the year under review. Contracts of service are not entered into with the directors, who hold office in accordance with the Articles of Association.

Board Composition and Succession

The Board is aware that in 2013 three of the five directors will have served for nine years or more and plans are being put in place to refresh the composition of the Board.

Corporate Governance Statement

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") and been guided by the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). Both documents can be found on the AIC website www.theaic.co.uk. As confirmed by the Financial Reporting Council following the AIC Corporate Governance Guide enables investment company boards to meet their obligations under the UK Corporate Governance Code and Listing Rules. The Company has complied with the recommendations of the AIC Code and the relevant provisions of UK Corporate Governance Code, except in relation to the UK Corporate Governance Code provisions relating to: the role of the chief executive; executive directors' remuneration; the remuneration committee and the need for an internal audit function. For the reasons set out in the AIC Guide, and in the preamble to the UK Corporate Governance Code, the Board considers these provisions are not relevant to the Company as it is an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

Directors' Report

(continued)

	AIC Code Principles	How the principles are applied
	THE BOARD	
1	The chairman should be independent.	Keith Percy joined the Board as a non-executive director in January 2004 and he has been Chairman of the Company since March 2005. The Board, under the leadership of the Senior Independent Director, formally reviews the Chairman each year and it considers that Keith Percy is independent both in character and in judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, his judgement. The Senior Independent Director can provide a sounding board for the Chairman and serve as an intermediary for the other directors when necessary.
2	A majority of the board should be independent of the manager.	The Board is composed of five non-executive directors and all are considered to be independent of the Manager. None of the directors has any former association with the Manager and each is considered to be independent in character and judgement. William Worsley has served on the Board for more than nine years and the other Board members are in full agreement that he maintains his ability to act independently and that his perspective continues to add value. He stands for re-election annually.
3	Directors should be submitted for re-election at regular intervals. Nomination for re-election should not be assumed but be based on disclosed procedures and continued satisfactory performance.	New directors stand for election by shareholders at the annual general meeting of the Company following their appointment and at three yearly intervals thereafter. Directors with more than nine years' service stand for annual re-election. The Board reviews Board and board committee composition every year. Further information on the activities of the Nomination Committee are on page 34.
4	The board should have a policy on tenure, which is disclosed in the annual report.	Directors' appointments are formally reviewed every three years after the first annual general meeting following their date of joining the board. After nine years on the Board, directors' appointments are reviewed annually. No director has a contract of service and a director may resign by notice in writing to the board at any time. A performance review of the board and the individual directors is conducted annually. The Company is not a member of the FTSE 350 Index and therefore has no obligation to comply with the AIC Code principle concerning the annual re-election of all directors. It will however continue to monitor what becomes market practice for smaller companies over future periods. The Board aims to refresh its composition from time to time; a new appointment was made in October 2010 and there is a plan to make further changes over the next two years.
5	There should be full disclosure of information about the board.	The directors' biographies on page 23 demonstrate a breadth of investment, industrial commercial and professional experience and expertise.

Directors' Report

(continued)

	AIC Code Principles	How the principles are applied
6	The board should aim to have a balance of skills, experience, length of service and knowledge of the company.	The Board considers that this aim has been achieved.
7	The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.	During the year, the effectiveness of the Board was assessed through interviews conducted by the Chairman with each director. The Chairman also discussed individual training and development needs with each director. The Chairman's own performance was evaluated by the other directors who met under the leadership of William Worsley, the Senior Independent Director. The results of the effectiveness assessment, performance evaluation and development planning have been presented to the Nomination Committee. The Board has no current plans to use external facilitators to carry out the Board evaluation but may do this in the future.
8	Director remuneration should reflect their duties, responsibilities and the value of their time spent.	The Directors' Remuneration Report is on pages 40 and 41.
9	The independent directors should take the lead in the appointment of new directors and the process should be disclosed in the annual report.	The Nomination Committee, composed of all the independent directors and therefore the full current board, considers the recruitment of new directors and all directors will meet a shortlist of candidates. As part of the most recent recruitment process, consultants were appointed to draw up a shortlist to include as wide a spectrum of candidates as possible, including taking gender into account.
10	Directors should be offered relevant training and induction.	When a new director is appointed there is an induction process carried out by the Manager. Directors are provided, on a regular basis, with key information on the Company's regulatory and statutory requirements and internal financial controls. Changes affecting directors' responsibilities are advised to the Board as they arise.
11	The chairman (and the board) should be brought into the process of structuring a new launch at an early stage.	This principle does not apply to the Company as it is a long established investment company.

Directors' Report

(continued)

	AIC Code Principles	How the principles are applied
	BOARD MEETINGS AND THE RELATIONSHIP WITH THE MANAGER	
12	Boards and managers should operate in a supportive, co-operative and open environment.	The Board met six times in the year and also held an annual strategy day. Representatives of the Manager, including senior executives of the management company and the investment managers, together with the Company Secretary attend every meeting and other investment professionals and marketing executives join the meetings from time to time. The Chairman encourages participation and discussion at the meetings.
13	The primary focus at regular board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/ investor relations, peer group information and industry issues.	Full investment and performance reports are received and discussed at every board meeting and matters such as gearing, asset allocation, marketing and investor relations, peer group information and industry issues are all matters that covered by the agenda.
14	Boards should give sufficient attention to overall strategy.	The Board devotes one day each year to a formal strategy review and continues to monitor the matters discussed throughout the year.
15	The board should regularly review both the performance of, and contractual arrangements with, the manager.	The Management Engagement Committee considers the performance of the manager and the contractual terms of engagement. Further information on the activities of the Committee are on page 34.
16	The board should agree policies with the manager covering key operational issues.	The investment management contract covers the provision of operational matters and the Board discusses with the manager and agrees policies concerning key operational matters such as corporate governance issues and voting in respect of portfolio holdings, performance reporting methodology including matters such as benchmarking, gearing, share buy backs and investment restrictions.
17	Boards should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it.	The share price is monitored and the net asset value is reported on a daily basis. The Board receives reports at each Board meeting. The Company has a share buy back programme which includes in its aims the intention to reduce discount volatility.
18	The board should monitor and evaluate other service providers.	The Audit Committee receives and considers internal controls reports from third party service providers and the manager and Company Secretary report to the Committee on their monitoring and evaluation of these services.

Directors’ Report

(continued)

	AIC Code Principles	How the principles are applied
	SHAREHOLDER COMMUNICATIONS	
19	The board should regularly monitor the shareholder profile of the company and put in place a system for canvassing shareholder views and for communicating the board's views to shareholders.	The Chairman works with the manager to ensure that there is effective communication with the Company's shareholders. There is a process for monitoring and analysing the shareholder register and this is reported at each Board meeting. Visits to institutional shareholders and private client brokers are offered and carried out in a rolling programme. There is an opportunity for shareholders to meet and communicate with the directors and managers at the Company's Annual General Meeting, at which the portfolio managers give a presentation. The Senior Independent Director provides another point of contact for Shareholders.
20	The board should normally take responsibility for, and have a direct involvement in, the content of communications regarding major corporate issues even if the manager is asked to act as spokesman.	The Board, or a Committee of the Board, reviews all major communications by the Company.
21	The board should ensure that shareholders are provided with sufficient information for them to understand the risk:reward balance to which they are exposed by holding the shares.	The Board agrees with the Manager every year a budget for and programme of marketing activity to communicate with investors and to reach a wider audience. In addition to the Annual and half-yearly report, both of which are sent to all shareholders and those others who have registered to receive them, the Company publishes online and makes available in hard copy a monthly factsheet and publishes daily on its website (www.brunner.co.uk) the net asset value of the Company's shares and many other details of interest to investors.

Attendance by the current directors at formal Board and committee meetings during the year was as follows:

Director	Board	Board Strategy Day	Audit Committee	Remuneration Committee	Nomination Committee	Management Engagement Committe
No. of meetings	6	1	2	1	1	1
Keith Percy	6	1	2†	1	1	1
Ian Barlow	6	1	2	1	1	1
Vivian Bazalgette	6	1	2	1	1	1
Peter Maynard	6	1	2	1	1	1
William Worsley	6	1	2	1	1	1

† Invited to attend meetings, although not a committee member.

Directors' Report

(continued)

Conflicts of Interest

Under the Companies Act 2006 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. Since 1 October 2008, directors are able to authorise these conflicts and potential conflicts. The Board reports annually on the Company's procedures for ensuring that its powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

Each of the directors has provided a statement of all conflicts of interest and potential conflicts of interest relating to the Company. These statements have been considered and approved by the Board. The directors have undertaken to notify the Chairman and Company Secretary of any proposed new appointments and new conflicts or potential conflicts for consideration, if necessary, by the Board. The Board has agreed that only directors who have no interest in the matter being considered will be able to take the relevant decision and that in taking the decision the directors will act in a way they consider, in good faith, will be most likely to promote the Company's success. The Board is able to impose limits or conditions when giving authorisation if it thinks this is appropriate.

The Board confirms that its powers of authorisation are operating effectively and that the agreed procedures have been followed.

Board Committees

Audit Committee

The Audit Committee Report is on page 39.

Nomination Committee

The Nomination Committee meets as needed – at least once each year – and makes recommendations on the appointment of new directors and considers the composition and balance of the Board. The committee is chaired by Keith Percy, the Chairman of the Board, and met once in the last year when it considered the re-election of directors at the Annual General Meeting. All directors serve on the Nomination Committee and consider nominations made in accordance with an agreed procedure.

Management Engagement Committee

The Management Engagement Committee met once in the year to review the Management Agreement and the Manager's performance. It has defined terms of reference and consists of the non-executive directors not formerly employed by the Manager. It is chaired by Keith Percy, the Chairman of the Board.

Remuneration Committee

The Remuneration Committee met once in the year and consists of the independent non-executive directors including Keith Percy, Chairman of the Board. The committee is chaired by William Worsley. The committee determines and agrees with the Board the Company's remuneration policy and determines the remuneration of each director within the terms of that policy. The Directors' Remuneration Report is on pages 40 and 41.

The Terms of Reference for each of the committees may be viewed by shareholders on request and are published on the Company's website www.brunner.co.uk.

Internal Control

The directors have overall responsibility for the Company's system of internal control. Whilst acknowledging their responsibility for the system of internal control, the directors are aware that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process has been fully in place throughout the year under review and up to the date of the signing of this Annual Financial Report.

The key elements of the process are as follows:

- In addition to the review of the Risk Matrix (see page 26), every six months, the Board receives from the Manager a formal report which details any known internal controls failures, including those that are not directly the responsibility of the Manager.
- The appointment of RCM (UK) Limited ('RCM') as the Manager provides investment management, accounting and company secretarial services to the Company. The Manager therefore maintains the internal controls associated with the day to day operation of the Company. These responsibilities are included in the Management Agreement between the Company and the Manager. The Manager's systems of internal control are regularly evaluated by its management and monitored by its internal audit department. RCM is authorised and regulated by the Financial Services Authority ('FSA') and its compliance department regularly monitors compliance with FSA rules.
- There is a regular review by the Board of asset allocation and any risk implications. There are also regular and comprehensive reviews by the Board of management

Directors' Report

(continued)

accounting information, including revenue and expenditure projections, actual revenue against projections and performance comparisons.

- Authorisation and exposure limits are set and maintained by the Board.
- The Board meets with senior representatives of RCM and also receives an annual statement of Auditing Standards 70 (SAS 70) report from the Manager, together with a report on compliance with the Manager's anti-bribery policy.
- The Audit Committee on behalf of Board reviews the Internal Control reports of other third party service providers, including those of RCM and all other providers of administrative and custodian services to RCM or directly to the Company. The Board has also reviewed the anti-bribery policies of these third parties.

The directors confirm that the Audit Committee has reviewed the effectiveness of the system of internal control, which it has found to be appropriate.

Accountability and Audit

The Statement of Directors' Responsibilities in respect of the financial statements is on page 38 and a statement of going concern is on page 25.

The Independent Auditor's Report can be found on page 43.

Relations with Shareholders

The Board strongly believes that the Annual General Meeting should be an event which private shareholders are encouraged to attend. The Annual General Meeting is attended by the Chairman of the Board, the respective Chairmen of the Board's Committees and the Manager. The number of proxy votes cast in respect of each resolution will be made available at the Annual General Meeting and is made available on the website www.brunner.co.uk after the meeting.

All correspondence received from shareholders is circulated to directors and discussed by them.

The Manager meets with institutional shareholders on a regular basis and reports to the Board on matters raised at these meetings. The Chairman and, where appropriate, other directors are available to meet with shareholders to discuss governance and strategy and to understand their issues and concerns.

The Notice of Meeting sets out the business of the Annual General Meeting and the special business is explained more fully in the Directors' Report. Separate resolutions are proposed for each substantive issue.

Shareholders who wish to communicate directly with the Chairman or other directors may write care of the Company Secretary at 155 Bishopsgate, London EC2M 3AD.

The UK Stewardship Code and Exercise of Voting Powers

The Board has delegated discretion to discharge its responsibilities in respect of investments, including the exercise of voting powers on its behalf to the Manager, RCM (UK) Limited (RCM).

The Stewardship Code published by the Financial Reporting Council sets out good practice on engagement with investee companies. It is complementary to the UK Corporate Governance Code. The Company's Manager, RCM (UK) Limited, has complied with this code and its policy statement on the Stewardship Code can be found on its website: www.rcm.com/london/pdf/StewardshipPolicy. pdf. The Board has reviewed this policy statement and is satisfied that the Company's delegated voting powers are being properly executed. RCM provides the Board with a regular report of exceptions to management or board support on votes cast on the Company's behalf.

Where directors hold directorships on the boards of companies in which the Company is invested, they do not participate in decisions made concerning those investments.

Corporate Social Responsibility

The Board has noted the Manager's views on Social Responsibility that it adheres to in engaging with the underlying investee companies and in exercising its delegated responsibilities in voting. RCM has said: "We believe that good corporate governance includes the management of the company's impacts on society and the environment, as these are increasingly becoming a factor in contributing towards maximising long term shareholder value." In its Sustainable Investment Policy Statement, RCM says it "believes that the consideration of environmental, social and governance issues within the investment decision process provides a new and longer-term perspective on evaluating risk and opportunities."

Annual General Meeting

Allotment of new shares

A resolution authorising the directors to allot new share capital for cash was passed at the Annual General Meeting of the Company on 17 March 2011 under Section 551 of the Companies Act 2006. The current authority will expire on 17 June 2012 and approval is therefore sought for the renewal of this authority and for the granting of an authority to allot shares other than on a pro rata basis to existing shareholders until the conclusion

Directors' Report

(continued)

of the Annual General Meeting in 2013. Renewal of the authority to disapply pre-emption rights will be sought under Section 570 of the Companies Act 2006.

Accordingly resolution 8 as set out in the Notice of Meeting on page 71 will be proposed as an Ordinary Resolution and resolutions 9 and 10 will be proposed as Special Resolutions.

The directors do not currently intend to allot shares under these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it would be advantageous to the Company's existing Shareholders to do so. The directors confirm that no allotments of new shares will be made unless the lowest market offer price of the Ordinary Shares is at least at a premium to net asset value.

Takeover Code Requirements

Under Rule 9 of the City Code on Takeovers and Mergers (the "Code") when: (i) a person acquires an interest in shares which (taken together with shares in which he and persons acting in concert (as defined in the Code) with him are interested) carry 30% or more of the voting rights of a company subject to the Code; or (ii) any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30% of the voting rights of a company subject to the Code, but does not hold shares carrying more than 50% of the voting rights of the company, and such person, or any persons acting in concert with him, acquires an interest in any shares which increase the percentage of shares carrying voting rights in which he is interested, then in either case, that person together with the persons acting in concert with him, is normally required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non voting and also to the holders of any other class of transferable securities carrying voting rights.

Rule 37 of the Code states that when a company redeems or purchases its own voting shares, any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purposes of Rule 9. However, Note 1 to Rule 37.1 states that a person who comes to exceed the limits in Rule 9.1 in consequence of a company's redemption or purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or is presumed to be, acting in concert with any of the directors. A person who has appointed a representative to the board of the company, and investment managers of investment trusts, will be treated for these purposes as a director.

Mr TBH Brunner, Sir Hugo Brunner and members of their immediate family, (the 'Connected Parties') are treated as acting in concert for the purposes of the Code. The Connected Parties currently hold 28.85% of the Ordinary Share Capital of the Company. If the proposed buy back authority were to be used in full, the repurchase of Ordinary Shares could result in the Connected Parties holding 33.98% of the reduced Ordinary Share Capital of the Company (assuming that the Connected Parties did not sell any Ordinary Shares in connection with the exercise of the buy back authority).

The Board is of the view that none of the Connected Parties is acting in concert with any of the current directors and that consequently, pursuant to Note 1 of Rule 37 of the Code, there would be no obligation under Rule 9 of the Code for a general offer to be made to shareholders if the proposed buy back authority were to be used and the shareholdings of the Connected Parties increased accordingly. If the Connected Parties are interested in 30.00% or more of the Ordinary Share Capital of the Company following the exercise of the share buy back authority, such Connected Parties will not be able to acquire further interests in Ordinary Shares without triggering an obligation to make an offer pursuant to Rule 9 of the Code.

Continuation of share buy back programme

As referred to in the Chairman's statement, the Board is proposing the renewal of the Company's authority under Section 701 of the Companies Act 2006, to purchase Ordinary Shares in the market for cancellation. Accordingly, resolution 10 will be proposed as a Special Resolution at the AGM. The Board believes that such purchases in the market at appropriate times and prices may be a suitable method of enhancing shareholder value. The Company would make either a single purchase or a series of purchases, when market conditions are suitable, with the aim of maximising the benefits to shareholders and within guidelines set from time to time by the Board.

Where purchases are made at prices below the prevailing net asset value of the Ordinary Shares, this enhances net asset value for the remaining shareholders. It is therefore intended that purchases will only be made at prices below net asset value, with the

Directors' Report

(continued)

purchases to be funded from the realised capital profits of the Company (which are currently in excess of £160 million). The rules of the UK Listing Authority limit the price which may be paid by the Company to 105% of the average middle market quotation for an Ordinary Share on the five business days immediately preceding the date of the relevant purchase. The minimum price to be paid will be 25p per Ordinary Share (being the nominal value). Additionally, the Board believes that the Company's ability to purchase its own shares should create additional demand for the Ordinary Shares in the market and that this increase in liquidity should assist shareholders wishing to sell their Ordinary Shares. Overall this share buy back proposal should help to reduce the discount to net asset value at which the Company's shares currently trade.

Under the Financial Services Authority Listing Rules, a company is permitted to purchase up to 14.99% of its equity share capital through market purchases pursuant to a general authority granted by shareholders in general meeting.

The current authority which permits the Company to purchase up to 14.99% of the Ordinary Shares, expires at the conclusion of the forthcoming Annual General Meeting. The Board believes that the Company should continue to have authority to make market purchases of its own Ordinary Shares for cancellation. The Board is therefore seeking to renew its power to make market purchases of Ordinary Shares for cancellation. Accordingly, a Special Resolution to authorise the Company to make market purchases of up to 14.99% of the Company's issued Ordinary Share capital will be proposed. The authority to make market purchases of up to 14.99% of the Company's issued Ordinary Share capital is equivalent to 6,534,878 Ordinary Shares provided there is no change in the issued share capital between the date of this Report and the Annual General Meeting to be held on 16 March 2012.

The authority will last until the Annual General Meeting of the Company to be held in 2013 or the expiry of 18 months from the date of the passing of this resolution, whichever is the earlier. The authority will be subject to renewal by shareholders at subsequent annual general meetings.

Additional Information

The directors, whose names are set out on page 23 of this document, accept responsibility for the information contained in the sections of this report headed 'Continuation of share buy back programme', 'Takeover Code Requirements' and 'Interests in the Company's Share Capital' and this section and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in these sections is in accordance with the facts and does not omit anything that is likely to affect the import of such information.

The directors unanimously recommend shareholders to vote in favour of resolution 10 to be proposed at the Annual General Meeting in relation to the renewed authority for the repurchase of shares as they intend to do in respect of their respective holdings of Ordinary Shares.

By Order of the Board
Kirsten Salt
Secretary
15 February 2012

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement under Disclosure and Transparency Rule 4.1.12

The directors at the date of the approval of this Report each confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Annual Financial Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board
Keith Percy
Chairman
15 February 2012

Audit Committee Report

The principal role of the committee is to assist the Board in relation to the reporting of financial information, review of financial controls and management of risk. The committee has defined terms of reference and duties and the terms of reference are published on the Company's website.

The Audit Committee comprises all of the directors, except for the Chairman who is in attendance as are representatives of the Manager. I am the Chairman of the Audit Committee, and as you will see from my biography on page 23, I am a Chartered Accountant and until 2008, I was Senior Partner, London at KPMG. The Board reviews the composition of the Audit Committee and it considers that, collectively, its members have sufficient recent and relevant financial experience to discharge their responsibilities fully.

During the year the committee met twice. It reviewed the Company's accounting policies and considered their appropriateness, reviewed the annual and half-yearly financial reports and considered the Auditor's report on the annual financial statements. It also approved the terms of appointment of the Auditor, monitored the audit process, assessed the Auditor's independence and objectivity including the provision of non-audit services by the firm, and determined that they have had no impact on the Auditor's independence and objectivity, and recommended to the Board that the re-appointment of the Auditor be put to the shareholders.

The committee also reviewed the process by which risks are identified and managed.

The Audit Committee continues to believe that the Company does not require an internal audit function of its own as it delegates its day-to-day operations to third parties from whom it receives internal control reports. Such reports from third party auditors on the internal controls maintained on behalf of the Company by RCM and by all other providers of administrative and custodian services to RCM or directly to the Company were reviewed during the year.

As the Company has no employees it does not have a formal policy concerning the raising, in confidence, of any concerns about improprieties for appropriate independent investigation. The Audit Committee has, however, received and noted the Manager's policy on this matter.

Ian Barlow FCA CTA
Audit Committee Chairman
15 February 2012

Directors' Remuneration Report

This report is submitted in accordance with the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, Schedule 8 for the year ended 30 November 2011. An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

The Board

The Board of directors is composed solely of non-executive directors. The determination of the directors' fees is guided by the recommendations of the Remuneration Committee which is made up of the independent directors and is chaired by William Worsley.

Policy on Directors' Remuneration

Directors meet at least six times each year. The Audit Committee meets twice each year and the other board committees meet at least once each year.

Directors offer themselves for retirement at least once every three years and annually after nine years. No director has a service contract with the Company. The Company's policy is for the directors to be remunerated in the form of fees, payable quarterly in arrears. In accordance with the AIC Code of Corporate Governance, there are no long term incentive schemes and fees are not related to the individual director's performance, neither to the performance of the Board as a whole.

The Company's Articles of Association currently limit the aggregate fees payable to the Board of directors to a total of £150,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of directors' fees having regard to the level of fees payable to non-executive directors in the investment trust industry generally, the role that individual directors fulfil, and the time committed to the Company's affairs. The Board believes that levels of remuneration should be sufficient to attract and retain non executive directors to oversee the Company.

The performance graph overleaf measures the Company's share price and net asset value performance against the benchmark index; 50% FTSE All-Share and 50% FTSE World Index (ex UK £ adjusted). An explanation of the Company's performance is given in the Chairman's Statement and the Investment Managers' Review.

Directors' Indemnities

Directors' and Officers' Liability insurance cover is held by the Company. As permitted by the Company's Articles of Association, the Company has granted indemnities to the directors.

Remuneration

The policy is to review directors' fee rates from time to time, but reviews will not necessarily result in a change to the rates. In the year under review the directors were paid at a rate of £18,750 per annum and the Chairman at a rate of £31,250 per annum, with an additional £2,000 each payable to the Senior Independent Director (SID) and the Chairman of the Audit Committee. The fees were reviewed in January 2012 and the following fees have applied since 1 December 2011 to reflect market changes in investment trust directors' fees in the two years since fees were last increased: the Chairman £33,500 per annum, the directors £20,000 per annum, with an additional £3,000 for the Chairman of the Audit Committee, and an additional £2,000 for the Senior Independent Director.

Directors' Remuneration Report

(continued)

Directors' Emoluments

The Directors' Emoluments during the year and in the previous year are as follows:

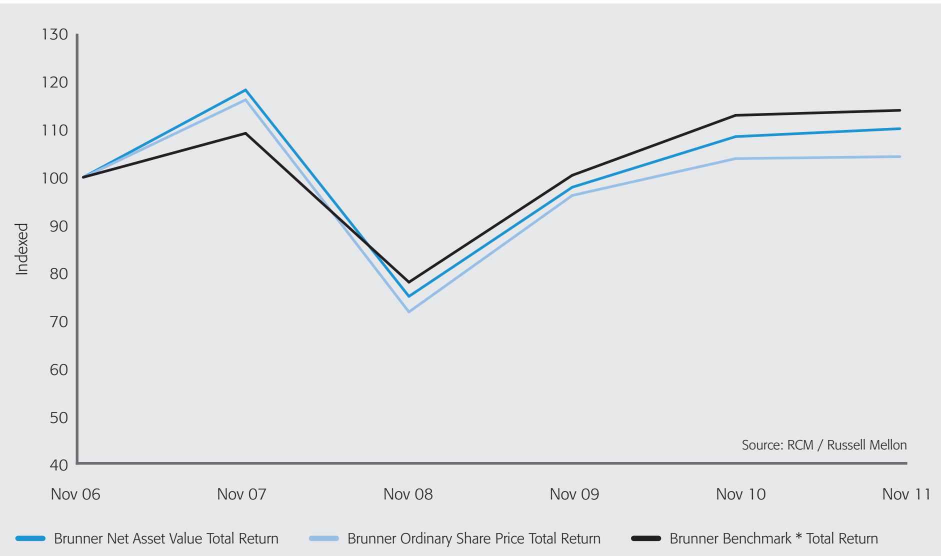
	Directors' fees	
	2011 £	2010 £
Ian Barlow	20,750	20,150
Vivian Bazalgette	18,750	18,750
Peter Maynard (appointed 1 October 2010)	18,750	3,125
Keith Percy	31,250	31,250
Ben Siddons*	-	5,697
Richard Wakeling*	-	6,305
William Worsley	20,750	20,750
Total	**110,250**	**106,027**

* Retired 18 March 2010.

Performance Graph

The graph below measures the Company's share price and net asset value performance against the benchmark index.*

The Brunner Investment Trust PLC – 30 November 2006 – 30 November 2011



* 50:50 FTSE All-Share and FTSE World Index (ex UK £).

William Worsley
Remuneration Committee Chairman
15 February 2012

Financial *Statements*

Independent Auditor's Report to the Members of The Brunner Investment Trust PLC

We have audited the financial statements of The Brunner Investment Trust plc for the year ended 30 November 2011 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement, the Statement of Accounting Policies and the related Notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 November 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Directors' Report, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on directors' remuneration.

Stuart McLaren (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, England
15 February 2012

Income Statement

for the year ended 30 November 2011

	Notes	2011 Revenue £	2011 Capital £	2011 Total Return £	2010 Revenue £	2010 Capital £	2010 Total Return £
Net (losses) gains on investments at fair value	8	-	(581,150)	(581,150)	-	18,273,558	18,273,558
Net (losses) gains on foreign currencies	-	-	(6,122)	(6,122)	-	8,737	8,737
Income	1	7,821,886	-	7,821,886	6,674,038	-	6,674,038
Investment management fee	2	(365,095)	(851,889)	(1,216,984)	(356,942)	(832,865)	(1,189,807)
Administration expenses	3	(366,487)	(25,575)	(392,062)	(337,020)	(18,714)	(355,734)
Net return before finance costs and taxation		**7,090,304**	**(1,464,736)**	**5,625,568**	**5,980,076**	**17,430,716**	**23,410,792**
Finance costs: interest payable and similar charges	4	(1,355,941)	(3,111,337)	(4,467,278)	(975,317)	(2,347,665)	(3,322,982)
Net return on ordinary activities before taxation		**5,734,363**	**(4,576,073)**	**1,158,290**	**5,004,759**	**15,083,051**	**20,087,810**
Taxation	5	(238,844)	-	(238,844)	(244,055)	-	(244,055)
Net return on ordinary activities attributable to Ordinary Shareholders		**5,495,519**	**(4,576,073)**	**919,446**	**4,760,704**	**15,083,051**	**19,843,755**
Return per Ordinary Share (basic and diluted)	7	**12.28p**	**(10.23p)**	**2.05p**	**10.31p**	**32.67p**	**42.98p**

Dividends to be distributed in respect of the financial year ended 30 November 2011 total 12.80p (2010 - 12.20p), amounting to £5,598,187 (2010 - £5,595,707). Details are set out in Note 6.

The total return column of this statement is the profit and loss account of the Company.

The supplementary revenue and capital columns are both prepared under the guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the year.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

The Notes on pages 48 to 66 form an integral part of these Financial Statements.

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 November 2011

	Notes	Called up Share Capital £	Capital Redemption Reserve £	Capital Reserve £	Revenue Reserve £	Total £
Net Assets at 1 December 2009		11,633,326	4,366,674	176,235,232	14,256,458	206,491,690
Revenue Return		-	-	-	4,760,704	4,760,704
Shares repurchased during the year		(196,125)	196,125	(3,038,596)	-	(3,038,596)
Dividends on Ordinary Shares	6	-	-	-	(5,550,216)	(5,550,216)
Capital Return		-	-	15,083,051	-	15,083,051
Net Assets at 30 November 2010		**11,437,201**	**4,562,799**	**188,279,687**	**13,466,946**	**217,746,633**

	Notes	Called up Share Capital £	Capital Redemption Reserve £	Capital Reserve £	Revenue Reserve £	Total £
Net Assets at 1 December 2010		11,437,201	4,562,799	188,279,687	13,466,946	217,746,633
Revenue Return		-	-	-	5,495,519	5,495,519
Shares repurchased during the year		(522,554)	522,554	(8,619,112)	-	(8,619,112)
Dividends on Ordinary Shares	6	-	-	-	(5,466,641)	(5,466,641)
Capital Return		-	-	(4,576,073)	-	(4,576,073)
Net Assets at 30 November 2011		**10,914,647**	**5,085,353**	**175,084,502**	**13,495,824**	**204,580,326**

The Notes on pages 48 to 66 form an integral part of these Financial Statements.

Balance Sheet

for the year ended 30 November 2011

	Notes	2011 £	2011 £	2010 £
Fixed Assets				
Investments held at fair value through profit or loss	8		250,582,706	258,009,976
Current Assets				
Debtors	10	1,380,551		1,605,358
Cash at bank	10	7,410,882		10,375,055
		8,791,433		**11,980,413**
Creditors - Amounts falling due within one year	10	(4,504,600)		(1,749,915)
Net Current Assets			**4,286,833**	**10,230,498**
Total Assets less Current Liabilities			**254,869,539**	**268,240,474**
Creditors - Amounts falling due after more than one year	10		(50,289,213)	(50,493,841)
Total Net Assets			**204,580,326**	**217,746,633**
Capital and Reserves				
Called up Share Capital	11		10,914,647	11,437,201
Capital Redemption Reserve	12		5,085,353	4,562,799
Capital Reserve	12		175,084,502	188,279,687
Revenue Reserve	12		13,495,824	13,466,946
Equity Shareholders' Funds	**13**		**204,580,326**	**217,746,633**
Net Asset Value per Ordinary Share	**13**		**468.6p**	**476.0p**

The financial statements of The Brunner Investment Trust PLC, company number 226323, were approved and authorised for issue by the Board of directors on 15 February 2012 and signed on its behalf by:

Keith Percy

The Notes on pages 48 to 66 form an integral part of these Financial Statements.

Cash Flow Statement

for the year ended 30 November 2011

	Notes	2011 £	2011 £	2010 £
Net cash inflow from operating activities	**15**		**6,235,718**	**5,561,217**
Return on investments and servicing of finance				
Interest paid		(4,649,838)		(4,639,636)
Dividends paid on Preference Stock		(22,500)		(22,500)
Net cash outflow from servicing of financing			**(4,672,338)**	**(4,662,136)**
Capital expenditure and financial investment				
Purchase of fixed asset investments		(100,799,165)		(108,396,279)
Sale of fixed asset investments		110,366,862		120,359,947
Net cash inflow from financial investment			**9,567,697**	**11,963,668**
Equity dividends paid			(5,466,641)	(5,550,216)
Net cash inflow before financing			**5,664,436**	**7,312,533**
Financing				
Repurchase of Ordinary Shares for cancellation			(8,622,487)	(3,034,831)
(Decrease) increase in cash	**16**		**(2,958,051)**	**4,277,702**

The Notes on pages 48 to 66 form an integral part of these Financial Statements.

Statement of Accounting Policies

for the year ended 30 November 2011

1. **The financial statements** have been prepared under the historical cost basis, except for the measurement at fair value of the investments, and in accordance with the United Kingdom law and United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice - 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (SORP) issued January 2009 by the Association of Investment Companies.

   In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Income Statement between items of revenue and capital nature has been presented alongside the Income Statement. In accordance with the Company's status as a UK investment trust company under sections 833 and 834 of the Companies Act 2006, net capital returns may not be distributed by way of dividend.

   The accounting policies adopted in preparing the current year's financial statements are consistent with those of previous years.

   The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities, which are readily realisable and significantly exceed liabilities. Accordingly, the directors believe that the Company has adequate financial resources, to continue in operational existence for the foreseeable future. The Company's business, the principal risks and uncertainties it faces, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report, Business Review section on pages 24 to 35.

2. **Revenue** - Dividends received on equity shares are accounted for on an ex-dividend basis. UK dividends are shown net of tax credits and foreign dividends are grossed up at the appropriate rate of withholding tax. Income on debt securities is recognised on an effective yield basis which takes account of any discounts or premiums arising on purchase price, compared to final maturity over the remaining life of the security.

   Special dividends are recognised on an ex-dividend basis and treated as a capital or revenue item depending on the facts and circumstances of each dividend.

   Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the equivalent of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of the cash dividend is recognised in capital reserves.

   Deposit interest receivable is accounted for on an accruals basis.

   Commissions in respect of underwriting are recognised when the underwritten issue closes and are generally recognised within the Income Statement as revenue. Where, however, the Company is required to take up a proportion of the shares underwritten, the same proportion of the shares underwritten is recognised as capital, with the balance recognised as revenue.

3. **Investment management fee and administrative expenses** - The investment management fee is calculated on the basis set out in Note 2 to the financial statements and is charged to capital and revenue in the ratio 70:30 to reflect the Company's investment policy and prospective capital and income growth. Other administrative expenses are charged in full to revenue, except custodian handling charges on investment transactions which are charged to capital. All expenses are on an accruals basis.

4. **Valuation** - As the Company's business is investing in financial assets with a view to profiting from their total return in the form of increases in fair value, financial assets are designated as held at fair value through profit or loss in accordance with FRS 26 'Financial instruments: Recognition and Measurement'. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the investments is provided on this basis to the Board.

   Investments held at fair value through profit or loss are initially recognised at fair value. After initial recognition, these continue to be measured at fair value, which for quoted investments is either the bid price or the last traded price depending on the convention of the exchange on which they are listed. Gains or losses on investments are recognised in the capital column of the Income Statement. Purchases and sales of financial assets are recognised on the trade date, being the date which the Company commits to purchase or sell assets.

Statement of Accounting Policies *(continued)*

for the year ended 30 November 2011

5. **Finance costs** – In accordance with the Financial Reporting Standard 25 'Financial Instruments: Disclosure and Presentation' and FRS 26 'Financial Instruments: Recognition and Measurement', long term borrowings are stated at amortised cost being the amount of net proceeds on issue plus accrued finance costs to date. Finance costs are calculated over the term of the debt on the effective interest rate basis.

   Where debt is issued at a premium, the premium is amortised over the term of the debt on the effective interest rate basis.

   Finance costs net of amortised premiums are charged to capital and revenue in the ratio 70:30 to reflect the Board's investment policy and prospective split of capital and revenue returns.

   Dividends payable on the 5% Cumulative Preference Stock are classified as an interest expense and are charged in full to revenue.

6. **Taxation** - Where expenses are allocated between capital and revenue, any tax relief obtained in respect of those expenses is allocated between capital and revenue on the marginal method and the Company's effective rate of tax for the accounting period. Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

   A deferred tax asset is recognised when it is more likely than not that the asset will be recoverable. Deferred tax is measured on a non-discounted basis at the rate of Corporation tax that is expected to apply when the timing differences are expected to reverse.

7. **Shares repurchased and subsequently cancelled** - Share Capital is reduced by the nominal value of the shares repurchased, and the Capital Redemption Reserve is correspondingly increased in accordance with Section 733 Companies Act 2006. The full cost of the repurchase is charged to the Capital Reserve within Gains (Losses) on Sales of Investments.

8. **Dividends** - In accordance with FRS 21 'Events After the Balance Sheet Date', the final dividend proposed on Ordinary Shares is recognised as a liability when approved by shareholders. Interim dividends are recognised only when paid.

9. **Foreign Currency** - In accordance with FRS 23 'The effect of Changes in Foreign Currency Exchange Rates', the Company is required to nominate a functional currency, being the currency in which the Company predominately operates. The functional and reporting currency is sterling, reflecting the primary economic environment in which the Company operates. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Profit and losses thereon are recognised in the capital column of the Income Statement and taken to the Capital Reserve.

Notes to the Financial Statements

for the year ended 30 November 2011

1. Income

	2011 £	2010 £
Income from Investments*		
Equity income from UK investments†	4,686,085	3,857,540
Equity income from overseas investments††	2,398,957	2,186,920
Stock dividends from overseas investments	16,726	15,578
Interest from UK fixed income investments	702,354	546,267
	7,804,122	**6,606,305**
Other Income		
Deposit interest	17,764	17,757
Underwriting commission	-	49,976
	17,764	**67,733**
Total income	**7,821,886**	**6,674,038**

* All dividend income is derived from listed investments.
† Includes special dividends of £159,990 (2010 - £nil).
†† Includes special dividends of £92,843 (2010 - £43,290).

2. Investment Management Fee

	2011 Revenue £	2011 Capital £	2011 Total £	2010 Revenue £	2010 Capital £	2010 Total £
Investment management fee	**365,095**	**851,889**	**1,216,984**	**356,942**	**832,865**	**1,189,807**

The Company's investment managers are RCM (UK) Limited ('RCM'). The contract provides for a management fee based on 0.45% per annum of the value of the assets after deduction of current liabilities, short term loans under one year and other funds managed by RCM.

The provision of investment management services and company administrative and secretarial services by RCM under the Management and Administration Agreement may be terminated by either the Company or the Managers on not less than six months' notice.

VAT has not been charged on management fees since 1 May 2007.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

3. Administration Expenses

	2011 £	2010 £
Auditor's remuneration		
for audit services	20,965	21,436
for non audit services	-	3,000
VAT on auditor's remuneration	4,729	4,276
	25,694	**28,712**
Directors' fees	110,250	106,027
Custody fees	36,611	34,713
Registrars' fees	20,147	16,960
Association of Investment Companies' fees	22,964	21,163
Marketing costs	72,818	25,977
Printing and postage	12,533	13,605
Directors' and Officers' liability insurance	12,014	16,125
Professional and advisory fees	21,434	40,873
Other	42,163	51,749
VAT recovered	(10,141)	(18,884)
	366,487	**337,020**

(i) The above expenses include value added tax where applicable.

(ii) Directors' fees are set out in the Directors' Remuneration Report on page 40.

(iii) Custodian handling charges of £25,575 were charged to capital (2010 - £18,714).

4. Finance Costs: Interest Payable and Similar Charges

	2011 Revenue £	2011 Capital £	2011 Total £	2010 Revenue £	2010 Capital £	2010 Total £
On Stepped Rate Interest Loan Repayable after more than five years	613,344	1,431,135	2,044,479	229,939	661,222	891,161
On Fixed Rate Interest Loan Repayable after more than five years	720,086	1,680,202	2,400,288	722,762	1,686,443	2,409,205
5% Cumulative Preference Stock Repayable after more than five years	22,500	-	22,500	22,500	-	22,500
On Sterling overdraft	11	-	11	116	-	116
	1,355,941	**3,111,337**	**4,467,278**	**975,317**	**2,347,665**	**3,322,982**

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

The prior year charge for the stepped rate interest benefited from the release of a provision in respect of a deferred tax liability accruing to First Debenture Finance ('FDF') in the year ended 30 November 2010. The release of this frozen tax charge was a result of the election by the directors of FDF to be taxed under the Securitisation Companies Regulations 2006 for the accounting period commencing 1 October 2007 and all subsequent accounting periods. Amounts of £392,867 and £791,992 were released to income and capital respectively.

5. Taxation

	2011 Revenue £	2011 Capital £	2011 Total £	2010 Revenue £	2010 Capital £	2010 Total £
Overseas taxation	238,844	-	238,844	244,055	-	244,055
Current tax charge	**238,844**	**-**	**238,844**	**244,055**	**-**	**244,055**
Reconciliation of tax charge						
Return on ordinary activities before taxation	5,734,363	(4,576,073)	1,158,290	5,004,759	15,083,051	20,087,810
Corporation tax 26.67% (2010 - 28%)	1,529,355	(1,220,439)	308,916	1,401,333	4,223,254	5,624,587
Effects of						
Non taxable income	(1,895,705)	-	(1,895,705)	(1,640,471)	-	(1,640,471)
Non taxable capital gains	-	156,625	156,625	-	(5,119,042)	(5,119,042)
Disallowable expenses	6,618	7,232	13,850	(99,908)	(208,509)	(308,417)
Overseas tax suffered	238,844	-	238,844	244,055	-	244,055
Excess of allowable expenses over taxable income	358,069	1,056,582	1,414,651	339,512	1,104,297	1,443,809
Accrued income taxable on receipt	1,663	-	1,663	(466)	-	(466)
Current tax charge	**238,844**	**-**	**238,844**	**244,055**	**-**	**244,055**

The Company's taxable income is exceeded by its tax allowable expenses, which include both the revenue and capital elements of the management fee and finance costs.

As at 30 November 2011, the Company had accumulated surplus expenses of £51.0 million (2010 - £45.7 million) and eligible unrelieved foreign tax of nil (2010 - nil).

As at 30 November 2011 the Company has not recognised a deferred tax asset of £12.8 million (2010 - £12.3 million) in respect of accumulated expenses. Provided the Company continues to maintain its current investment profile, it is unlikely that the expenses will be utilised and that the Company will obtain any benefit from this asset.

The Company will continue to seek approval under Section 1158 of the Corporation Taxes Act 2010 for the current year and the foreseeable future. The Company has not therefore provided deferred tax on any capital gains and losses arising on the disposal of investments.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

6. Dividends on Ordinary Shares

	2011 £	2010 £
Dividends paid on Ordinary Shares		
Final - 7.40p paid 25 March 2011 (2010 - 7.20p)	3,361,141	3,339,921
Interim - 4.80p paid 2 September 2011 (2010 - 4.80p)	2,105,500	2,210,295
	5,466,641	**5,550,216**

Dividends payable at the year end are not recognised as a liability under FRS 21'Events After Balance Sheet Date' (see page 49 - Statement of Accounting Policies) Details of these dividends are set out below.

	2011 £	2010 £
Final dividend - 8.00p payable 23 March 2012 (2011 - 7.40p)	3,492,687	3,385,412
	3,492,687	**3,385,412**

The proposed final dividend accrued is based on the number of shares in issue at the year end. However, the dividend payable will be based on the numbers of shares in issue on the record date and will reflect any purchases and cancellations of shares by the Company settled subsequent to the year end.

Ordinary dividends paid by the Company carry a tax credit at a rate of 10%. The credit discharges the tax liability of shareholders subject to income tax at less than the higher rate. Shareholders liable to pay tax at the higher rate will have further tax to pay.

7. Return per Ordinary Share

	2011 Revenue £	2011 Capital £	2011 Total £	2010 Revenue £	2010 Capital £	2010 Total £
Return attributable to Ordinary Shareholders	5,495,519	(4,576,073)	919,446	4,760,704	15,083,051	19,843,755
Return per Ordinary Share	12.28p	(10.23p)	2.05p	10.31p	32.67p	42.98p

The return per Ordinary Share is based on a weighted average number of shares of 44,745,974 (2010 - 46,165,287) Ordinary Shares in issue.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

8. Fixed Asset Investments

	2011 £	2010 £
Listed at market valuation on recognised Stock Exchanges		
United Kingdom	142,382,609	141,498,538
Overseas	108,171,581	116,483,207
	250,554,190	**257,981,745**
Unlisted at directors' valuation		
United Kingdom	28,516	28,231
Total investments	**250,582,706**	**258,009,976**

Market value of investments brought forward	258,009,976	252,022,474
Investment holding gains brought forward	(28,181,643)	(22,905,479)
Cost of investments held brought forward	**229,828,333**	**229,116,995**
Additions at cost	103,307,668	108,393,063
Disposals at cost	(97,379,017)	(107,681,725)
Cost of investments held at 30 November	**235,756,984**	**229,828,333**
Investment holding gains at 30 November	14,825,722	28,181,643
Market value of investments held at 30 November	**250,582,706**	**258,009,976**

Net gains on investments		
Net investment holding gains on sales of investments based on historical costs	12,366,684	12,997,394
Adjustment for net investment holding gains recognised in previous years	(10,533,171)	(8,649,798)
Net gains on sales of investments based on carrying value at previous balance sheet date	**1,833,513**	**4,347,596**
Net investment holding (losses) gains arising in the year	(2,822,750)	13,925,962
Net (losses) gains on sales of investments before special dividends	**(989,237)**	**18,273,558**
Special dividends credited to capital	408,087	-
Net (losses) gains on investments	**(581,150)**	**18,273,558**

The Board considers that the Company's unlisted investments are not material to the financial statements. No material disposals of unlisted investments took place during the year.

Included in the cost of investments are transaction costs and stamp duty on purchases of £278,273 (2010 - £316,764) and transaction costs on sales of £116,024 (2010 - £133,901).

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

9. Investments in other companies

The Company held more than 10% of the share capital of the following companies at 30 November 2011

Company	Class of Shares Held	%
First Debenture Finance PLC ('FDF')	'A' Shares	50.0
First Debenture Finance PLC	'B' Shares	50.0
First Debenture Finance PLC	'C' Shares	50.0
First Debenture Finance PLC	'D' Shares	50.0
Fintrust Debenture PLC	Ordinary Shares	50.0

These companies are incorporated in Great Britain and registered in England and Wales.

In the opinion of the directors, the Company is not in a position to exert significant influence over the financial operating policies of FDF or Fintrust, either through voting rights or through agreement with those companies' other shareholders, due to provisions in FDF and Fintrust's Articles of Association and in certain contracts between the Company and each of FDF and Fintrust. Accordingly, FDF and Fintrust are not considered to be associate undertakings as per FRS9 and are therefore included in the balance at the director's valuation. FDF and Fintrust are the lenders of the Company's Stepped Rate Interest Loan and Fixed Rate Interest Loan, as detailed in Notes 10(i) and 10(ii), respectively. Apart from the finance costs, there were no other transactions between FDF, Fintrust and the Company during the year.

10. Current Assets and Creditors

	2011 £	2010 £
Debtors		
Sales for future settlement	-	621,161
Accrued income	1,324,967	908,920
Other debtors	55,584	75,277
	1,380,551	**1,605,358**
Cash at Bank		
Current Account	3,836,225	6,818,223
Deposit Account	3,574,657	3,556,832
	7,410,882	**10,375,055**
Creditors: Amounts falling due within one year		
Purchases for future settlement	3,124,961	373,288
Stamp duty payable	390	3,765
Other creditors	453,368	446,549
Interest on borrowings (see below)	925,881	926,313
	4,504,600	**1,749,915**

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

Interest on outstanding borrowings consists of			
Stepped Rate Interest Loan		836,351	836,351
Fixed Rate Interest Loan		78,280	78,712
5% Cumulative Preference Stock		11,250	11,250
		925,881	**926,313**
Creditors: Amounts falling due after more than one year			
Stepped Rate Interest Loan	10(i)	18,203,038	18,203,038
Fixed Rate Interest Loan	10(ii)	31,636,175	31,840,803
5% Cumulative Preference Stock	10(iii)	450,000	450,000
		50,289,213	**50,493,841**

(i) The Stepped Rate Interest Loan of £18,203,038 (2010 - £18,203,038) comprises adjustable Stepped Rate Interest Loan Notes of £2,977,442 and Stepped Rate Interest Bonds of £11,909,766. The Loan Notes and Bonds were issued in 1987 at 97.4% and are repayable on 2 January 2018, together with a premium of £3,315,831.

The initial interest rate on the Loan Notes and Bonds was 8.35% per annum. This increased annually by 5.0% compound until January 1998 when it reached it's current rate of 13.6%. This stepped interest rate, when combined with the accrual of the premium, results in an effective interest rate of 11.27% per annum.

Interest on the Loan Notes and Bonds is payable in January and July each year. Interest on the Loan Notes is variable in accordance with the terms of the agreement with the lender, First Debenture Finance PLC ('FDF').

FDF has a liability to its Debenture Stockholders to repay principal and interest on £52.2 million of 11.125% Severally Guaranteed Debenture Stock 2018. The Company has guaranteed the repayment of principal and interest on £18.2 million of FDF's Debenture Stock. This is in proportion to the principal amounts raised by the Company in 1987 in respect of the Loan Notes and Bonds. There is a floating charge on all the Company's present and future assets to secure this obligation. The Company has also agreed to meet its proportionate share of any expenses incurred by FDF, including any tax liability.

(ii) The Fixed Rate Interest Loan of £28,000,000 is due to Fintrust Debenture PLC ('Fintrust'). It comprises a loan of £15,000,000 taken out in 1993, and a further amount of £13,000,000 assumed in 1998 from another of Fintrust's borrowers. The loan is repayable on 20 May 2023 and carries interest at 9.25125% per annum on the principal amount. Interest is payable in May and November each year.

As security for the loan, the Company has granted a floating charge over its assets in favour of the lender. This charge ranks pari passu with the floating charge noted in 10(i) above.

The loan of £15,000,000 taken out in 1993 is stated at £14,950,119 (2010 - £14,947,917), being the net proceeds of £14,929,474 plus accrued finance costs of £20,645 (2010 - £18,443). The effective interest rate of this portion of the loan is 9.30%.

On assuming the additional loan of £13,000,000 in 1998, the Company also received a premium of £5,727,111 to ensure that the finance costs on this additional loan were comparable to existing market interest rates. This premium is being amortised over the remaining life of the loan. At 30 November 2011, the loan is stated at £16,686,056 (2010 - £16,892,886), being the principal amount of £13,000,000 plus the unamortised premium of £3,686,056 (2010 - £3,892,886). The effective interest rate of this portion of the loan is 6.00%.

(iii) The 5% Cumulative Preference Stock is recognised as a creditor due after more than one year under the provisions of FRS 25 'Financial Instruments: Disclosure and Presentation'. The right of the Preference Stock to receive payments is not calculated by reference to the Company's profits and, in the event of a return of capital are limited to a specific amount, being £450,000. Dividends on the Preference stock are payable on 30 June and 31 December each year.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

11. Share Capital

	2011 £	2010 £
Allotted and fully paid		
43,658,587 Ordinary Shares of 25p each (2010 – 45,748,805)	10,914,647	11,437,201

The directors are authorised by an ordinary resolution passed on 17 March 2011 to allot relevant securities, in accordance with Section 551 of the Companies Act 2006, up to a maximum of 15,138,752 Ordinary Shares 25p each. This authority expires on 17 June 2012 and accordingly a renewed authority will be sought a the Annual General Meeting on 16 March 2012.

During the year 2,090,218 Ordinary Shares were repurchased by the Company and cancelled. The aggregate purchase price of these shares, amounting to £8,619,112 was charged to the Capital Reserve, within gains on sales of investments (see Note 12). A further 63,669 Ordinary Shares have been repurchased for cancellation since the year end at a cost of £243,718.

12. Reserves

		Capital Reserve		
	Capital Redemption Reserve £	Gains on sales of Investments £	Investment Holding Gains (Losses) £	Revenue Reserve £
Balance as at 1 December 2010	4,562,799	160,082,499	28,197,188	13,466,946
Net gains on sales of investments	-	1,833,513	-	-
Special dividends	-	408,087	-	-
Transfer on disposal of investments	-	10,533,171	(10,533,171)	-
Net movement in investment holding losses	-	-	(2,822,750)	-
Net losses on foreign currency	-	-	(6,122)	-
Purchase of Ordinary Shares for cancellation	522,554	(8,619,112)	-	-
Investment management fee	-	(851,889)	-	-
Finance costs of borrowings	-	(3,111,337)	-	-
Other capital expenses	-	(25,575)	-	-
Dividends appropriated in the year	-	-	-	(5,466,641)
Revenue retained for the year	-	-	-	5,495,519
Balance as at 30 November 2011	**5,085,353**	**160,249,357**	**14,835,145**	**13,495,824**

Under the terms of the Company's Articles of Association, the capital reserves are distributable only by way of redemption or purchase of the Company's own shares, for so long as the Company carries on business as an Investment Company. The Institute of Chartered Accountants in England and Wales ("ICAEW"), in its technical guidance TECH 02/10, states that investment holding gains arising out of a change in fair value of assets may be recognised as gains on sales of investments provided they can be readily converted into cash. Securities listed on a stock exchange are generally regarded as being readily convertible into cash and hence investment holding gains in respect of such securities may be regarded as realised under Company Law.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

13. Net Asset Value per Share

The Net Asset Value per Share was as follows:

	Net Asset Value per Share attributable	
	2011	**2010**
Ordinary Shares of 25p	468.6p	476.0p

	Net Asset Value attributable	
	2011	**2010**
	£	**£**
Ordinary Shares of 25p	£204,580,326	£217,746,633

The Net Asset Value per Ordinary Share is based on 43,658,587 Ordinary Shares in issue at the year end (2010 – 45,748,805).

14. Contingent Liabilities, Capital Commitments and Guarantees

At 30 November 2011 there were no outstanding contingent liabilities or capital commitments (2010 – nil).

Details of the guarantee provided by the Company as part of the terms of the Stepped Rate Loan are provided in Note 10(i) on page 56 'Current Assets and Creditors'.

15. Reconciliation of Net Return on Ordinary Activities before Finance Costs and Taxation to Net Cash Inflow from Operating Activities

	2011	2010
	£	£
Total return before finance costs and taxation	5,625,568	23,410,792
Add: Special dividends credited to capital	408,087	-
Add: Effective yield amortisation	243,170	376,504
Add: Net gains (losses) on investments held at fair value	581,150	(18,273,558)
Add: Net gains (losses) on foreign currency	6,122	(8,737)
Less: Overseas tax suffered	(238,844)	(244,055)
	6,625,253	**5,260,946**
(Increase) decrease in debtors	(396,354)	288,166
Increase in creditors	6,819	12,105
Net cash inflow from operating activities	**6,235,718**	**5,561,217**

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

16. Reconciliation of Net Cash Flow to Movement in Net Debt

	Cash £	Stepped and Fixed Rate Loans £	Net Debt £
(i) Analysis of changes in net debt			
Balance at 1 December 2010	10,375,055	(50,493,841)	(40,118,786)
Movement in the year	(2,958,051)	204,628	(2,753,423)
Net losses on foreign currencies	(6,122)	-	(6,122)
Balance at 30 November 2011	**7,410,882**	**(50,289,213)**	**(42,878,331)**

	2011 £	2010 £
(ii) Reconciliation of net cash flow to movement in net debt		
Net cash (outflow) inflow	(2,958,051)	4,277,702
Net (losses) gains on foreign currencies	(6,122)	8,737
Decrease in long term loans	204,628	1,339,154
Movement in net funds	**(2,759,545)**	**5,625,593**
Net debt brought forward	(40,118,786)	(45,744,379)
Net debt carried forward	**(42,878,331)**	**(40,118,786)**

17. Financial Risk Management Policies and Procedures

The Company invests in equities and other investments in accordance with its investment policy as stated on page 1. In pursuing its investment policy, the Company is exposed to certain inherent risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

The main risks arising from the Company's financial instruments are: market risk (comprising market price risk, market yield risk, currency risk and interest rate risk), liquidity risk and credit risk. The directors' approach to the management of these risks, is set out below. The directors determine the objectives and agree policies for managing each of these risks, as set out below. The Investment Manager, in close cooperation with the directors, implements the Company's risk management policies. These policies have remained substantially unchanged during the current and preceding period.

(a) Market Risk

The Investment Manager assesses the exposure to market risk when making each investment decision, and monitor the risk on the investment portfolio on an ongoing basis. Market risk comprises market price risk (price and yield), currency risk and interest rate risk.

(i) Market Price Risk

Market price risk arises mainly from the uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements. An analysis of the Company's portfolio is shown on pages 13 to 21.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

Market price risk sensitivity

The value of the Company's listed equities (excluding treasury stock) which were exposed to market price risk as at 30 November 2011 was as follows:

	2011 £	2010 £
Listed equity investments held at fair value through profit or loss	**222,730,286**	**231,964,461**

The following illustrates the sensitivity of the return after taxation for the year and the net assets to an increase or decrease of 20% (2010: 20%) in the fair values of the Company's quoted equities. This level of change is considered to be reasonably possible based on observations of market conditions in recent years. The sensitivity analysis on the net return after taxation and net assets is based on the impact of a 20% increase or decrease in the value of the Company's listed investments at each closing balance sheet date and the consequent impact on the investment management fees for the year, with all other variables held constant.

	2011 20% Increase in fair value £	2011 20% Decrease in fair value £	2010 20% Increase in fair value £	2010 20% Decrease in fair value £
Revenue return				
Investment management fees	(60,137)	60,137	(62,630)	62,630
Capital return				
Net gains (losses) on investments at fair value	44,546,057	(44,546,057)	46,392,892	(46,392,892)
Investment management fees	(140,320)	140,320	(146,138)	146,138
Change in net return and net assets	**44,345,600**	**(44,345,600)**	**46,184,124**	**(46,184,124)**

Management of market price risk

The directors meet regularly to consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors. Dedicated fund managers have the responsibility for monitoring the existing portfolio selection in accordance with the Company's investment objectives and seek to ensure that individual stocks meet an acceptable risk reward profile.

(ii) Market Yield Risk

Market yield risk arises from the uncertainty about the Company's ability to maintain its income objectives due to systematic decline in corporate dividend levels.

Management of market yield risk

The directors regularly review the current and projected yield of the investment portfolio, and discuss with the Investment Manager the extent to which it will enable the Company to meet its investment income objective.

(iii) Foreign Currency Risk

Foreign currency risk is the risk of the movement in the values of overseas financial instruments as a result of fluctuations in exchange rates.

Management of foreign currency risk

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the date of the transaction. Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. The Company does not currently hedge against foreign currency exposure.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

The table below summarises in sterling terms the foreign currency risk exposure:

	2011 Investments £	2011 Other net Liabilities £	2011 Total Currency Exposure £	2010 Investments £	2010 Other net Liabilities £	2010 Total Currency Exposure £
Sterling	142,411,125	(46,793,625)	95,617,500	141,526,769	(40,936,641)	100,590,128
Australian Dollar	3,730,555	72,171	3,802,726	4,338,823	66,253	4,405,076
Brazilian Real	967,078	-	967,078	-	-	-
Canadian Dollar	1,758,539	5,373	1,763,912	3,127,858	-	3,127,858
Euro	19,566,343	-	19,566,343	21,993,671	122,262	22,115,933
Hong Kong Dollar	7,030,242	-	7,030,242	7,442,127	-	7,442,127
Japanese Yen	7,992,810	68,236	8,061,046	9,789,209	57,777	9,846,986
Singapore Dollar	1,560,154	-	1,560,154	-	-	-
Swiss Franc	4,068,421	70,052	4,138,473	4,887,260	62,829	4,950,089
Taiwan Dollar	1,341,688	233,846	1,575,534	1,571,470	205,466	1,776,936
US Dollar	60,155,751	341,567	60,497,318	63,332,789	158,711	63,491,500
Total	**250,582,706**	**(46,002,380)**	**204,580,326**	**258,009,976**	**(40,263,343)**	**217,746,633**

The following table details the Company's sensitivity to a 20% increase and decrease in sterling against the relevant foreign currencies and the resultant impact that any such increase or decrease would have on net return and net assets. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the year end for a 20% change in foreign currency rates.

	2011 20% Decrease in Sterling against Foreign Currencies £	2011 20% Increase in Sterling against Foreign Currencies £	2010 20% Decrease in Sterling against Foreign Currencies £	2010 20% Increase in Sterling against Foreign Currencies £
Australian Dollar	950,682	(633,787)	1,101,269	(734,179)
Brazilian Real	241,770	(161,180)	-	-
Canadian Dollar	440,978	(293,985)	781,964	(521,310)
Euro	4,891,586	(3,261,057)	5,528,983	(3,685,989)
Hong Kong Dollar	1,757,560	(1,171,707)	1,860,532	(1,240,354)
Japanese Yen	2,015,262	(1,343,508)	2,461,747	(1,641,164)
Singapore Dollar	390,038	(260,026)	-	-
Swiss Franc	1,034,618	(689,746)	1,237,522	(825,015)
Taiwan Dollar	393,883	(262,589)	444,234	(296,156)
US Dollar	15,124,330	(10,082,886)	15,872,875	(10,581,917)
Total	**27,240,707**	**(18,160,471)**	**29,289,126**	**(19,526,084)**

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

(iv) Interest Rate Risk

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates.

Interest Rate Exposure

The table below summarises in sterling terms the financial assets and liabilities whose values are directly affected by changes in interest rates.

	2011 Fixed rate interest £	2011 Floating rate interest £	2011 Nil interest £	2011 Total £	2010 Fixed rate interest £	2010 Floating rate interest £	2010 Nil interest £	2010 Total £
Financial Assets	27,823,904	7,410,882	222,758,802	257,993,588	26,017,284	10,375,055	231,992,692	268,385,031
Financial Liabilities	(50,289,213)	-	-	(50,289,213)	(50,493,841)	-	-	(50,493,841)
Net Financial (Liabilities) Assets	**(22,465,309)**	**7,410,882**	**222,758,802**	**207,704,375**	**(24,476,557)**	**10,375,055**	**231,992,692**	**217,891,190**
Short term debtors and creditors	-	-	-	(3,124,049)	-	-	-	(144,557)
Net (Liabilities) Assets per Balance Sheet	**(22,465,309)**	**7,410,882**	**222,758,802**	**204,580,326**	**(24,476,557)**	**10,375,055**	**231,992,692**	**217,746,633**

As at 30 November 2011, the interest rates received on cash balances, or paid on bank overdrafts was approximately 0% and 1.35% per annum, respectively (2010: 0% and 1.35% per annum).

The Company's exposure to fixed interest rates on assets, being the three Treasury Stock holdings as at 30 November 2011, has a weighted average period to maturity of 6.0 years (2010 - 6.4 years) and an effective yield of 2.12% (2010 - 1.70%).

The fixed rate interest bearing liabilities bear the following coupon and effective rates as at 30 November 2010 and 30 November 2011.

	Maturity date	Amount borrowed £	Coupon rate	Effective rate since inception*
5% Cumulative Preference Stock	n/a	450,000	5.00%	n/a
First Debenture Finance PLC ('FDF') - Bonds	02/01/2018	11,909,766	13.60%	11.27%
First Debenture Finance PLC - Notes	02/01/2018	2,977,442	13.60%	11.27%
Fintrust Debenture PLC ('Fintrust') - Original Loan	20/11/2023	15,000,000	9.25125%	9.30%
Fintrust Debenture PLC - Additional Loan	20/11/2023	13,000,000	9.25125%	6.00%

The details in respect of the above loans have remained unchanged since the previous accounting period.

* The effective rates are calculated in accordance with FRS 26 'Financial Instruments: Recognition and Measurement' as detailed in the Statement of Accounting Policies.

The weighted average effective rate of the Company's fixed interest bearing liabilities (excluding the 5% Cumulative Preference Stock) is 8.98% (2010 - 8.98%) and the weighted average period to maturity of these liabilities is 9.9 years (2010 - 10.9 years).

The above year end amounts are reasonably representative of the exposure to interest rates during the year, as the level of exposure does not change materially. The Company's net return and net assets, is not significantly affected by changes in interest rates.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

Management of interest rate risk

The Company invests mainly in equities, the values of which are not directly affected by changes in prevailing market interest rates. In the year to 30 November 2011, the Company held three UK Government fixed interest securities with a total value of £27.8 million. The Company's policy is to remain substantially fully invested and thus it does not expect to hold significant cash balances.

The Company finances its operations through a mixture of share capital, retained earnings and long term borrowings which are subject to fixed rates of interest. Movement in interest rates will not materially affect the finance costs of the Company. The Company's borrowings are partially offset by the three UK Government fixed interest securities, thus reducing the net exposure of the Company to market value movements as a result of interest rate changes.

The Company is considered to have low direct exposure to interest rate risk.

(b) Liquidity risk

Liquidity risk relates to the capacity to meet liabilities as they fall due and is dependent on the liquidity of the underlying assets.

Maturity of financial liabilities

The table below presents the future cash flows payable by the Company in respect of its financial liabilities.

Cash flows in respect of the principal and interest on the Stepped Rate Interest Loan and Fixed Rate Interest Loan reflect the maturity dates as set out in Note 10 on pages 55 and 56. Cash flows in respect of the 5% Cumulative Preference Stock, which have no fixed repayment date, assume maturity of 20 years from the balance sheet date. Cash flows have not been discounted.

2011	3 months or less £	Not more than one year £	Between one and five years £	More than five years £	Total £
Creditors - Amounts falling due within one year					
Finance costs of borrowings	1,028,031	3,614,025	-	-	4,642,056
Other creditors	3,578,329	-	-	-	3,578,329
Creditors - Amounts falling due after more than one year					
Maturity of borrowings	-	-	-	48,993,792	48,993,792
Finance costs of borrowings	-	-	18,550,797	21,507,224	40,058,021
	4,606,360	**3,614,025**	**18,550,797**	**70,501,016**	**97,272,198**

2010	3 months or less £	Not more than one year £	Between one and five years £	More than five years £	Total £
Creditors - Amounts falling due within one year					
Finance costs of borrowings	1,030,748	3,626,581	-	-	4,657,329
Other creditors	819,837	-	-	-	819,837
Creditors - Amounts falling due after more than one year					
Maturity of borrowings	-	-	-	48,993,792	48,993,792
Finance costs of borrowings	-	-	18,555,153	26,122,423	44,677,576
	1,850,585	**3,626,581**	**18,555,153**	**75,116,215**	**99,148,534**

Other creditors includes trade creditors only, no accrued finance costs included.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

Management of liquidity risk

Liquidity risk is not considered to be significant as the Company's assets mainly comprise realisable securities, which can be sold to meet funding requirements. Short-term flexibility can be achieved through the use of overdraft facilities, where necessary. The Company has an undrawn committed borrowing facility of £7 million (2010 - £7 million).

(c) Credit risk

Credit risk is the risk of default by a counterparty in discharging its obligations under transactions that could result in the Company suffering a loss.

Management of credit risk

Outstanding settlements are subject to credit risk. Credit risk is mitigated by the Company through its decision to transact with counterparties of high credit quality. The Company only buys and sells investments through brokers which are approved counterparties, thus minimising the risk of default during settlement. The credit ratings of brokers are reviewed quarterly by the Investment Manager.

The Company is also exposed to credit risk through the use of banks for its cash position. Bankruptcy or insolvency of banks may cause the Company's rights with respect to cash held by banks to be delayed or limited. The Company's cash balances are held by HSBC Bank PLC and HBOS plc, rated Aa2 and A2, respectively, by Moody's rating agency. The Directors believe the counterparties the Company has chosen to transact with are of high credit quality, and that the Company has minimal exposure to credit risk.

In summary, the exposure to credit risk at 30 November 2011 was as follows:

	2011 £	2010 £
Investment		
Treasury stock	27,823,904	26,017,284
Debtors		
Outstanding settlements	-	621,161
Accrued income	1,324,967	908,920
Net debtors	55,584	75,277
	1,380,551	**1,605,358**
Cash at bank	7,410,882	10,375,055
Total	**36,615,337**	**37,997,697**

Fair Values of Financial Assets and Financial Liabilities

With the exception of those financial liabilities measured at amortised cost, all other financial assets and financial liabilities are either carried at their fair value or the balance sheet amount is a reasonable approximation of their fair value.

FRS 29 'Financial Instruments: Disclosures' has been expanded to include a fair value of hierarchy for the disclosure of fair value measurement of financial instruments.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

As at 30 November the financial assets at fair value through profit and loss of £ 250,582,706 (2010 - £258,009,976) are categorised as follows:

	2011 £	2010 £
Level 1	250,554,190	257,981,745
Level 2	-	-
Level 3	28,516	28,231
	250,582,706	**258,009,976**

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

Level 1 - valued using quoted prices in active markets for identical assets
Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included in level 1
Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data

Movements in Level 3 have not been disclosed as they are not material.

The financial liabilities measured at amortised cost have the following fair values*:

	2011 Book value £	2011 Fair value £	2010 Book value £	2010 Fair value £
First Debenture Finance Loan	18,203,038	26,570,616	18,203,038	26,087,406
Fintrust Loan	31,636,175	40,894,969	31,840,803	38,311,969
Total	**49,839,213**	**67,465,585**	**50,043,841**	**64,399,375**

The net asset value per Ordinary Share, with the FDF and Fintrust loans at fair value is 428.2p (2010 - 444.6p).

*The fair value has been derived from the closing market value as at 30 November 2011 and 30 November 2010.

Notes to the Financial Statements *(continued)*

for the year ended 30 November 2011

18. Capital Management Policies and Procedures

The Company's objective is to provide growth in capital value and dividends over the long term through investing in a portfolio of UK and international securities.

The Company's capital at 30 November comprises:

	2011 £	2010 £
Net Long Term Debt		
Creditors: Amounts falling due after more than one year	50,289,213	50,493,841
Less: Treasury Stock	(27,823,904)	(26,017,284)
	22,465,309	**24,476,557**
Equity		
Called up Share Capital	10,914,647	11,437,201
Share Premium Account and Other Reserves	193,665,679	206,309,432
	204,580,326	**217,746,633**
Total Capital	**227,045,635**	**242,223,190**
Debt as a percentage of total capital	9.89%	10.10%

The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. The level of gearing is monitored, taking into account the Investment Manager's view on the market and the future prospects of the Company's performance. Capital management also involves reviewing the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium) to assess the need to repurchase shares for cancellation.

The Company is subject to several externally imposed capital requirements; the banks borrowings under the overdraft facility are not to exceed £7m, and as a public company the minimum share capital is £50,000. The Company's objective, policies and processes for managing capital are unchanged from the preceding accounting period, and the Company has complied with them. The terms of the debenture trust deeds have various covenants which prescribe that moneys borrowed should not exceed the adjusted total of capital and reserves. These are measured in accordance with the policies used in the annual financial statements. The Company has complied with these.

19. Transactions with the Investment Manager and related parties

The amounts paid to the Investment Manager together with details of the investment management contract are disclosed in Note 2. The existence of an independent Board of directors demonstrates that the Company is free to pursue its own financial and operating policies and therefore, under FRS 8: Related Party Disclosures, the Investment Manager is not considered to be a related party.

The Company's related parties are its directors. Fees paid to the Company's Board are disclosed in the Director's Remuneration Report on page 40.

There are no other identifiable related parties at the year end, and as of 15 February 2012.

Investor *Information*

Investor Information

Financial Calendar

Year end 30 November.

Full year results announced and Annual Financial Report posted to Shareholders in February.

Annual General Meeting held in March.

Interim Management Statements announced in April and October.

Full year results announced and half-Yearly Financial Report posted to Shareholders in July.

Ordinary Dividends

It is anticipated that dividends will be paid as follows:

Interim	August
Final	March

Preference Dividends

Payable half-yearly 30 June and 31 December.

Market and Portfolio Information

The Company's Ordinary Shares are listed on the London Stock Exchange. The market price range, gross yield and net asset value are shown daily in the Financial Times and The Daily Telegraph under the headings 'Investment Companies' and 'Investment Trusts', respectively. The net asset value of the Ordinary Shares is calculated daily and published on the London Stock Exchange Regulatory News Service. The geographical spread of investments and ten largest holdings are published monthly on the London Stock Exchange Regulatory News Service. They are also available from the Investment Manager's Investors Helpline on 0800 389 4696 or via the Manager's website: www.rcm.com/investmenttrusts.

Share Prices

The share prices quoted in the London Stock Exchange Daily Official List for 30 November 2011 were 380p - 383p.

How to Invest

Alliance Trust Savings Limited ("ATS") is one of a number of providers offering a range of products and services, including Share Plans, ISAs and pension products. ATS also maintains services including online and telephone-based dealing facilities and online valuations. More information is available from Allianz Global Investors either via Investor Services on 0800 389 4696 or on the Managers' website: www.rcm.com/investmenttrusts, or from Alliance Trust Savings Customer Services Department on 01382 573737 or by email: contact@alliancetrust.co.uk. A list of other providers can be found on the RCM Investment Trusts website: www.rcm.com/investmenttrusts.

Website

Further information about The Brunner Investment Trust PLC, including monthly factsheets, daily share price and performance, is available on the Manager's website: www.rcm.com, which can also be reached via www.brunner.co.uk.

Dividend

The Board is recommending a final distribution of 8.00p to be payable on 23 March 2012 to shareholders on the Register of Members at the close of business on 24 February 2012, making a total distribution of 12.80p per share for the year ended 30 November 2011, an increase of 4.9% over last year's distribution.

Cash dividends will be sent by cheque to first-named shareholders at their registered address together with a tax voucher. Dividends may be paid directly into shareholders' bank accounts. Details of how this may be arranged can be obtained from Capita Registrars. Dividends mandated in this way are paid via BACS (Bankers' Automated Clearing Services). Tax vouchers will then be sent directly to shareholders at their registered address unless other instructions have been given.

The Company's Ordinary Shares are listed on the London Stock Exchange. The market price range, gross yield and net asset value are shown daily in the Financial Times and The Daily Telegraph under the headings 'Investment Companies' and 'Investment Trusts', respectively.

Investor Information

(continued)

Shareholder Enquiries

Capita Registrars are the Company's registrars and maintain the share register. In the event of queries regarding their holdings of shares, lost certificates, dividend payments, registered details, etc., shareholders should contact the registrars on 0871 664 0300 or +44 20 8639 3399 if calling from overseas. Lines are open 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday. Calls to the 0871 664 0300 number are charged at 10 pence per minute plus any of your service providers' network extras. Calls to the helpline number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

Changes of name and address must be notified to the registrars in writing. Any general enquiries about the Company should be directed to the Company Secretary, The Brunner Investment Trust PLC, 155 Bishopsgate, London EC2M 3AD. Telephone: 020 7065 1513.

Registrars

Capita Registrars, The Registry,
34 Beckenham Road, Beckenham,
Kent BR3 4TU
Telephone: 0871 664 0300 (calls cost 10p per minute plus network extras. Lines are open 9.00 a.m. to 5.30 p.m., Monday-Friday), or if telephoning from overseas, +44 20 8639 3399)
Facsimile: 020 8639 2342
Email: ssd@capitaregistrars.com
Website: www.capitaregistrars.com

Dividend Reinvestment Plan for Ordinary Shareholders (DRIP)

The Company's registrars, Capita Registrars, offer a Dividend Reinvestment Plan which gives Ordinary Shareholders the opportunity to use their cash dividend to buy further shares in the Company under a low-cost dealing arrangement. Capita Registrars enclose the Terms and Conditions and a personalised application form with each dividend payment.

Capita Registrars – Share Dealing Services and Share Portal

The Company's Registrars, operate an on-line and telephone dealing facility for UK resident shareholders with share certificates. Stamp duty may also be payable on purchases.

For further information on these services please contact: www.capitadeal.com for on-line dealing or 0871 664 0454 for telephone dealing. Lines are open 9.00 a.m. to 5.00 p.m. Monday to Friday. Calls to the 0871 664 0454 number are charged at 10 pence per minute plus any of your service providers' network extras. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes.

Capita Registrars offer shareholders a free on-line service called The Share Portal, enabling shareholders to access a comprehensive range of shareholder related information. Through The Share Portal, shareholders can: view their current and historical shareholding details; obtain an indicative share price and valuation; amend address details; view details of dividend payments; and apply for dividends to be paid directly to a bank or change existing bank details.

Capita Registrars offer shareholders a free online service called The Share Portal, enabling shareholders to access a comprehensive range of shareholder related information.

Investor Information

(continued)

Shareholders can access these services at www.capitaregistrars.com and selecting Share Portal (Shareholders) from the drop down menu, or alternatively via the Portals: Quick Links, and selecting Share Portal. Shareholders will need to register for a Share Portal Account by completing an on-screen registration form. An email address is required.

International Payment Services

Capita Registrars, the Company's registrars, operate an international payment service for shareholders, whereby they can elect either for their dividend to be paid by foreign currency draft or they can request an international bank mandate. This service is only available for dividend payments of £10 or more.

The International Payment Service will generally cost less than the fees charged by your local bank to convert your sterling dividend into your local currency. A £5 administration fee per dividend payment applies. Your dividends are paid as cleared funds directly into your bank or sent to you as a draft.

Capita Registrars, working in partnership with Travelex, will arrange for your dividend to be exchanged into your local currency at competitive rates based on actual market rates.

To use this service you will need to register online at: www.capitaregistrars.com/international or by contacting Capita Registrars as detailed below.

For further information on these services please contact: +44 20 8639 3405 (from outside of the UK) or 0871 664 0385 (in the UK) (Calls cost 10p per minute plus network extras. Lines are open between 9.00am and 5.30pm, Monday to Friday) or email IPS@capitaregistrars.com.

CREST Proxy Voting

Shares held in uncertificated form (i.e., in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.

Association of Investment Companies (AIC)

The Company is a member of the AIC, the trade body of the investment trust industry, which provides a range of literature including fact sheets and a monthly statistical service. Copies of these publications can be obtained from the AIC, 9th Floor, 24 Chiswell Street, London EC1Y 4YY, or at www.theaic.co.uk.

AIC Category: Global Growth.

General enquiries about the Company should be directed to the Company Secretary, The Brunner Investment Trust PLC, 155 Bishopsgate, London, EC2M 3AD.

Notice of Meeting

Notice is hereby given that the Eighty-fifth Annual General Meeting of The Brunner Investment Trust PLC will be held at Trinity House, Trinity Square, Tower Hill, London EC3N 4DH, on Friday 16 March 2012 at 12 noon to transact the following business:

Ordinary Business

1 To receive and adopt the Report of the Directors and the Financial Statements for the year ended 30 November 2011 with the Auditor's Report thereon.

2 To declare a final dividend of 8.0p per Ordinary Share.

3 To re-elect William Worsley as a director.

4 To re-elect Keith Percy as a director.

5 To approve the Directors' Remuneration Report.

6 To re-appoint Deloitte LLP as the Auditor of the Company.

7 To authorise the directors to determine the remuneration of the Auditor.

Special Business

To consider and, if thought fit, pass the following Resolutions of which Resolution 8 will be proposed as an Ordinary Resolution and Resolutions 9 and 10 will be proposed as Special Resolutions:

8 That the directors be and are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 to allot relevant securities (within the meaning of Section 551 of that Act) provided that this power shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £3,632,546 and shall expire at the conclusion of the next Annual General Meeting of the Company held after the meeting at which this Resolution is passed or 16 June 2013 if earlier, save that the directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

9 That the directors be and are hereby empowered, pursuant to Section 570 of the Companies Act 2006, to allot equity securities (as defined in Section 560 of that Act) pursuant to the authority conferred by Resolution 8 above as if Section 561 of that Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities for cash of an aggregate maximum nominal amount of £544,936 and shall expire at the conclusion of the next Annual General Meeting of the Company held after the meeting at which this Resolution is passed or 16 June 2013, if earlier, save that the directors may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.

10 That the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares of 25p each in the capital of the Company ('Ordinary Shares'), provided that:

(i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 6,534,878;

(ii) the minimum price which may be paid for an Ordinary Share is 25p;

(iii) the maximum price which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share taken from the London Stock Exchange Official List for the 5 business days immediately preceding the day on which the Ordinary Share is purchased or such other amount as may be specified by the London Stock Exchange from time to time;

(iv) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2013 or, if earlier, on the expiry of 18 months from the passing of this resolution, unless such authority is renewed prior to such time;

(v) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract; and

(vi) any Ordinary Shares so purchased shall be cancelled.

155 Bishopsgate, London, EC2M 3AD
15 February 2012

By Order of the Board
Kirsten Salt
Secretary

Notice of Meeting

(continued)

Notes:

1. Members entitled to attend and vote at this Meeting may appoint one or more proxies to attend, speak and vote in their stead by completion of a personalised form of proxy. Full details on how to complete the form of proxy are set out on the form of proxy. The proxy need not be a Member of the Company.
2. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. A proxy has one vote on a show of hands in all cases (including where one member has appointed multiple proxies) except where he is appointed by multiple members who instruct him to vote in different ways, in which case he has one vote for and one vote against the resolution.
3. A personalised form of proxy is provided with the Annual Financial Report. Any replacement forms must be requested direct from the Registrar.
4. Completion of the form of proxy does not exclude a Member from attending the Meeting and voting in person.
5. Duly completed forms of proxy must reach the office of the Registrars at least 48 (excluding non-business days) hours before the Meeting.
6. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual on the Euroclear website (www.euroclear.com/CREST).
7. To be entitled to attend and vote at the Meeting (and for the purpose of determination by the Company of the number of votes they may cast), Members must be entered on the Company's Register of Members by close of business on 14 March 2012 (the "record date").
8. If the Meeting is adjourned to a time not more than 48 hours after the record date applicable to the original Meeting, that time will also apply for the purpose of determining the entitlement of Members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period then, to be so entitled, Members must be entered on the Company's Register of Members at the time which is 48 hours before the time fixed for the adjourned Meeting or, if the Company gives new notice of the adjourned Meeting, at the record date specified in that notice.
9. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
10. Corporate representatives are entitled to attend and vote on behalf of the corporate member in accordance with Section 323 of the Companies Act 2006. Pursuant to the Companies (Shareholders' Rights) Regulations 2009 (SI 2009/1632), multiple corporate representatives appointed by the same corporate member can vote in different ways provided they are voting in respect of different shares.
11. Members have a right under Section 319A of the Companies Act 2006 to require the Company to answer any question raised by a member at the AGM, which relates to the business being dealt with at the meeting, although no answer need be given: (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) it is undesirable in the best interests of the Company or the good order of the meeting.
12. Members satisfying the thresholds in Section 527 of the Companies Act 2006 can require the Company, at its expense, to publish a statement on the Company website setting out any matter which relates to the audit of the Company's accounts that are to be laid before the meeting. Any such statement must also be sent to the Company's auditor no later than the time it is made available on the website and must be included in the business of the meeting.

Notice of Meeting

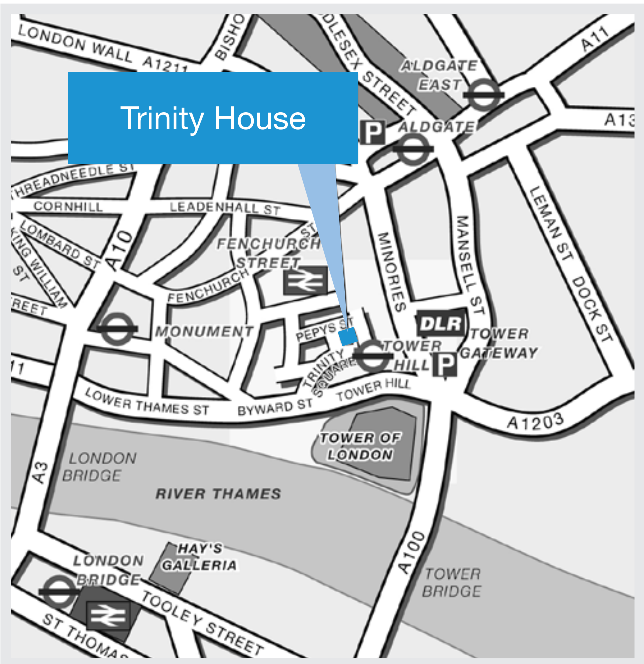
(continued)

13. As at 10 February 2012, the latest practicable date before this Notice is given, the total number of shares in the Company in respect of which members are entitled to exercise voting rights was 43,594,918 Ordinary Shares of 25p each. Each Ordinary Share carries the right to one vote and therefore the total number of voting rights in the Company on 10 February 2012 is 43,594,918. The 5% Cumulative Preference Shares do not ordinarily have any voting rights.

14. Further information regarding the meeting which the Company is required by Section 311A of the Companies Act 2006 to publish on a website in advance of the meeting (including this Notice), can be accessed at www.rcm.com/investmenttrusts.

15. Contracts of service are not entered into with the directors, who hold office in accordance with the Articles of Association.

Annual General Meeting venue



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